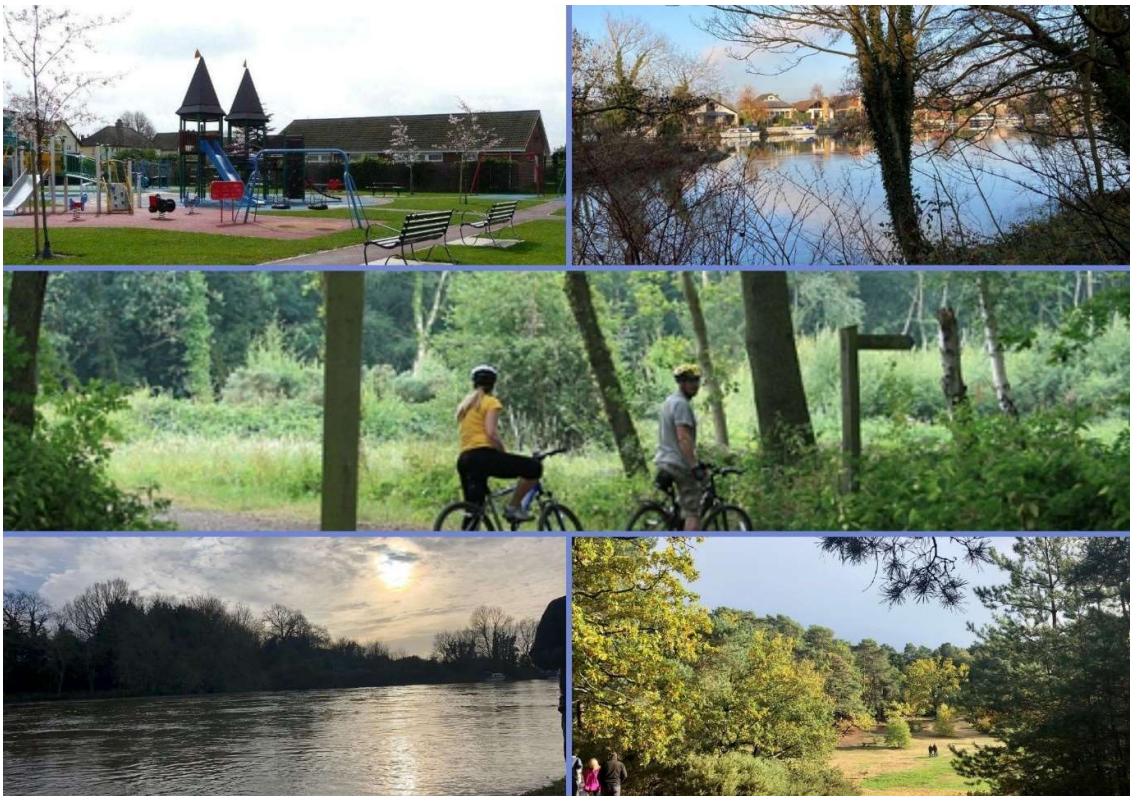




Elmbridge
Borough Council
... bridging the communities ...

Statement of Accounts 2022/23 for the year ending 31 March 2023



Summary of Financial Performance in the year

In the financial year to 31 March 2023, the Council delivered its services within the approved budget of £18.1 million. This is in accordance with the Council's medium-term financial strategy, and robust financial management of the Council's services has enabled services to be provided within budget.

The Council's General Fund balance remains at £4 million as at 31 March 2023. The Council's financial health remains sound although there is continued uncertainty over the ongoing impact of the cost of living crisis in the medium term, and capacity will be needed to provide a firm financial foundation for the Council to deliver its services in what continues to be a very challenging financial climate. The national inflationary increases will have an impact on the council's budgets, the size of these increases will need to be closely monitored and measured and appropriate action taken to minimise the impact on the quantity and quality of services, and on the Councils budget.

The Council has taken steps to strengthen its reserves, in line with the Administration Commitment to do so. The reliance on the use of reserves during the year has also been reduced.

The timing and impact of the governments review of the Business Rates Retention Scheme and the Fair Funding Review continues to add to the uncertain financial climate the Council is operating under.

The Council has recognised in strategic terms that the local authority needs to reduce its dependency on Government revenue funding when public funds are so highly constrained, through modest increases in Council Tax, effective use of assets, increased income from property investments and Fees & Charges and retention of Business Rates, the clear message from Central Government is that Councils should fund local services with locally raised revenues.

Financial Strategy Review

The role of the Council's financial planning process is to support the achievement of the Council's Strategic Priorities and Corporate Plan. The main driver for the budget and savings options developed is the administration's desire to provide high quality services that are in line with Council priorities and residents needs at the least possible cost to Council Taxpayers.

Although the impact of Covid seem to have diminished, rising inflation and the cost of living crisis will continue to impact in 2023/24 and in the medium term. Managing the ongoing impact and the recovery for our businesses and residents will remain a key priority.

Key actions that continue to be being taken to mitigate these challenges include:

- Delivery of the Council's Transformation Programme.
- Review of fees and charges and other income generation opportunities across the Council, balancing impact on local residents and the local economy.
- Enhance the provision of customer services by effective use of technology to align with our resident needs and accessibility requirements and use digital technology to speed processes and make it more efficient for the end user.
- Manage risk with respect to our income generating assets and delivery of housing and regeneration schemes in the Borough.
- Investing in initiatives to mitigate some of the homelessness pressures on the Council's revenue budget, including increasing supply of temporary accommodation in the Borough.
- Continue to review level and use of reserves and balances.
- Optimising return on cash surplus in times of low interest rates, balancing security, liquidity and yield.

- Continue to use existing assets more effectively, releasing space which can generate rental income.
- Undertake a review of capital spending plans to ensure a sustainable business case with affordable capital programmes.
- Review Partnerships and funding to the Voluntary sector, strengthen service level agreements and maximise the use of Voluntary Sector to provide services.
- Maximise invest to save opportunities to generate income, improve processes and make efficiencies.

Non-Financial Performance

The Council consults regularly with stakeholders, taxpayers and service users. The “My Elmbridge” programme is in place to consult, engage and inform residents about local services. The Council proactively engages with residents, businesses and partners to maintain the Council’s reputation, gain understanding and support for the organisation’s vision and objectives and keep users informed about priorities, services and campaigns and consultations via digital, in person and social media channels. .

Budget and Actual Expenditure 2022/23

Budget proposals for 2022/23 were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2021 and February 2022, with the final budget being approved in February 2022. However the financial climate in early 2022 was one of low inflation and interest rates. During the year inflation peaked at over 10% and the Bank of England Base Rate was increased a number of times to try to slow the rate of increase in inflation. The economy has entered into a period being referred to as a cost of living crisis, caused by increases in the cost of utilities, food and other basic commodities, disproportionately impacting the most vulnerable groups.

The Council's approach to setting the budget involved detailed consideration of financial risk, so that this can be factored into budget decisions.

The 2022/23 Budget incorporated savings of £1.9 million. The main components of the budget for 2022/23, and how they compare with actual income and expenditure for the year are:

An analysis of the major variance between the actual and the approved budget in February 2022 is as

Portfolio	2021/22	2022/23			
	Actual £'000	Original Budget £'000	Actual £'000	Variance to Original Budget £'000	%
Climate Change	91	322	166	(156)	(48)
Community Care	3,485	3,508	3,471	(37)	(1)
Enterprise and Local Economy	(1,407)	(1,844)	(1,912)	(68)	(4)
Environmental Services	5,308	4,855	4,535	(320)	(7)
Finance and Resources	4,682	4,104	1,719	(2,385)	(58)
Housing	2,827	2,278	2,497	219	10
Leisure and Culture	5,175	5,210	5,110	(100)	(2)
Planning and Environmental Health	3,524	3,798	3,559	(239)	(6)
Policy and Transformation	2,732	2,863	2,790	(73)	(3)
Covid Expenditure	2,302	-	144	144	-
	28,719	25,094	22,079	(3,015)	(12)
Depreciation Reversal	(3,611)	(3,155)	(3,155)	-	-
Interest on Balances	(765)	(850)	(2,388)	(1,538)	(181)
Covid 19 Grants	(2,645)	-	-	-	-
Contribution To/(from) Interest Equalisation Reserve	(185)	-	557	557	-
Investment Properties	(3,727)	(3,658)	(4,181)	(523)	(14)
Transfer from Council Tax Freeze Grant Reserve	(150)	(150)	(150)	-	-
Lower Tier Services Grant	(99)	(106)	(106)	-	-
Services Grant	-	(161)	(161)	-	-
New Homes Bonus	(462)	(1,028)	(1,028)	-	-
Contribution to New Homes Bonus / Property Acquisition Reserve	262	1,028	1,028	-	-
Underlying Requirement to Produce a Balanced Budget	(1,300)	(1,564)	(199)	1,365	87
To / (from) Earmarked Reserves	(2,040)	(225)	2,932	3,157	1,403
Capital Financing	2,913	2,917	2,914	(3)	-
Net Expenditure	16,910	18,142	18,142	-	-
Funded By:					
Council Tax	14,923	15,495	15,495		
Retained Business Rates	2,328	2,329	2,329		
Grants and Collection Fund Deficit	(341)	318	318		
	16,910	18,142	18,142		

follows:

	£'000
Employee Related Savings	(929)
Increased Income	(775)
Inflationary Pressures	433
Various Other	(94)
Reduction in Use of Reserve to Balance Budget	(1,365)

Budgets are monitored on the following basis:

- i. Budget Managers and Heads of Service receive monthly monitoring reports so that they can take corrective action if necessary
- ii. Monthly Financial Monitoring reports to Council Management Board (CMB) outlining key income and expenditure highlighting emerging risks.
- iii. For the first and second quarters – The Cabinet receive a budget monitoring report by portfolio along with key financial indicators.
- iv. All Cabinet, Budget and Financial Monitoring Reports are discussed at Performance and Finance Panels.
- v. Third Quarter – A revised forecast for the year is produced and reported to CMB and Cabinet.
- vi. Year end – The final accounts are produced in May and outturn reported to Cabinet in July.

Where major adverse variances are found, corrective action is taken to rectify the position during the year.

Accounts for 2022/23

The Statement of Accounts

The purpose of the Statement of Accounts is to give residents of Elmbridge, electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (The Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain English.

The Council's Statement of Accounts for the year 2022/23 includes:

The Statement of Responsibilities

This outlines the responsibilities of the Council's and the Chief Finance Officer's responsibilities for the Statement of Accounts. It also carries the certification of the Chief Finance Officer (S151 Officer).

The Audit Opinion and Certificate

This is provided by Grant Thornton UK LLP, the appointed auditor, following the completion of the annual audit in the following financial year.

The Statement of Accounting Policies

This explains the basis for the recognition, measurement and disclosure of figures and events in the accounts and is intended to aid the reader's understanding of the accounts.

Annual Governance Statement (AGS)

The AGS is not part of the accounts but shown alongside them. The statement sets out the main components of internal control and the governance framework within which the Council's internal control is managed and reviewed, including arrangements for internal audit. It also reports on significant weaknesses and areas for improvement identified and the actions taken to rectify or strengthen these areas. The statement is signed by the Chief Executive and the Leader of the Council.

Core Financial Statements

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund specific items of expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance Account for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council. In order to aid clarity, the Council had an element of the general reserve earmarked for specific uses, these have been established as Earmarked Reserves.

The Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Balance Sheet

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

31 March 2022	Balance Sheet Summary	31 March 2023
£'000		£'000
227,730	Long Term Assets	228,067
106,394	Current Assets	103,392
(44,162)	Current Liabilities	(37,101)
(116,563)	Long Term Liabilities	(69,897)
173,399	Net Assets	224,461
	<u>Usable Reserves</u>	
4,000	General Fund	4,000
19,544	Earmarked Reserves	25,732
18,775	Community Infrastructure Levy (CIL)	16,751
12,700	Collection Fund Support - Government Grants	733
18,538	Capital Receipts Reserve	19,362
21,687	Capital Grants Unapplied	22,705
95,244	Total Usable Reserves	89,283
78,155	Unusable Reserves	135,178
173,399	Total Reserves (Net Worth)	224,461

The Collection Fund Support – Government Grants reserve is established as a consequence of governments regulations for accounting for business rates and the way in which grant support was given to Councils in relation to Covid. The reserve will be used to match deficits in the period 2021-2024 as a consequence of the complications of accounting for the collection of Business Rates and the interactions with both the Government and Surrey County Council

The Council's working capital ratio has increased (current assets / current liabilities) at 31 March 2023 to 2.7 (2.4 at 31 March 2022). The working capital provides an indication of the Council's ability to pay its debts within one year. The higher the ratio, the more liquid the organisation. An organisation would normally anticipate a ratio higher than 1.0.

The Cash Flow Statement

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

Notes to the Core Financial Statements

These provide supporting and explanatory information on the Core Financial Statements.

The Collection Fund Statement

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

Material Assets and Liabilities

There were no material Assets or Liabilities disclosed in the Statement of Accounts.

Pensions

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £16.3 million, which reduces the total reserves of the Council by 7%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

Significant Changes in Accounting Policies and Requirements

There have been no significant changes in Accounting Policies and requirements, affecting the Council Taxpayer, for 2022/23.

Borrowing and Cash Flow

The Council has £52.4 million of borrowing outstanding at 31 March 2023 (£53.6 million – 31 March 2022) from the Public Works Loan Board (PWLB), with £1.1 million being repaid during 2022/23. No new borrowing was undertaken.

The Council has sufficient resources to fund its Capital programme but may decide to borrow based on interest rates and regulations. The Council is not allowed to borrow to fund revenue expenditure but

has a balanced budget with its expenditure being financed from fees and charges, rental income from property holdings, government grants and Council Tax, although the grant from Central Government (Business Rates) is expected to significantly reduce over the medium-term.

Capital Expenditure

During the year the following items of major capital works and purchases were undertaken:

2021/22	2022/23
£'000	£'000
1,846 Grant Expenditure - CIL / ECIF / Other	2,682
194 Other Public Building Acquisition and Enhancements	1,424
433 Affordable Housing Grants / Loans	1,274
544 Private Sector Housing Grants	904
0 Local Authority Housing Fund Partnership	704
53 Playground Refurbishments / Tennis Courts	484
281 IT Development/Investment	313
0 Claygate Development	156
96 Countryside Estate Infrastructure	119
156 Community Transport / Centre Enhancements	67
172 Barnet House	44
202 Litter Bin Replacement Programme	41
35 Installation of Electric Vehicle Charging Points	37
0 Other Infrastructure	35
46 Other	11
106 Car Park Improvements	0
52 Esher Common Improvements	0
36 Elmbridge Public Space CCTV upgrades	0
23 Vehicles	0
20 Weybridge Street Scape	0
18 Hersham Village Hall	0
4,313 Total	8,295

The total capital receipts received in the year were £1,131,000.

The Flexible Use of Capital Receipt Strategy was approved by Council in December 2022.

The Council set its capital programme in February 2023 with spending plans being funded as follows:

	Total Funds Available at 31 March 2023	Budgeted Spend 2023/24	Committed 2024/26
	£'000	£'000	£'000
Capital Receipts	19,362	3,963	1,790
Capital Grants	22,705	15,008	4,102
Revenue Resources	2,779	2,489	290
Borrowing*	-	10,397	20,000
	44,846	31,857	26,182

*Borrowing is subject to Regeneration & Housing development proposals and Prudential Borrowing conditions.

Significant Provisions or Contingencies and Material Write-Offs

Except in relation to appeals against Business Rate Valuation, there have been no material provisions or write-offs made during the year. The revaluation exercise carried out on business premises for 1 April 2023 will raise concerns in relation to appeals against the new valuations and may have an impact during 2023/24.

Economic Climate and impact of Covid

In setting the 2023/24 budget there was still uncertainty about the ongoing impact on income streams such as car park income, council tax collection and planning fees, as a result of Covid and the impact of leaving the European Union. However in addition to these residential impacts the ongoing impact of the cost of living crisis remains uncertain.

Climate Change

The Council declared a climate change emergency in 2019 and addressing the challenges of climate change will increasingly impact on the Council's Financial Strategy. Work is ongoing to reduce the impact of the Council's activities on the environment, for example, solar panels at our Xcel Leisure Centre and our Centres for the Community, loft insulations at our centres and electric vehicle charges at our car parks. Although this increases capital investment it should reap longer-term revenue benefits through constraining rising energy costs. A detailed action plan has been prepared and the Council is working through the actions to reduce the Council's environmental impact, the new Council Vision 2030 also enhances the Council commitment to climate change.

The adequacy of balances and reserves to withstand future financial pressures

The last few years has been particularly challenging for local government finances with continued reduction in government funding combined with an increase in costs. 2022/23 was difficult year due to the ongoing impact of the pandemic and the cost of living crisis, with costs rising and income continuing to be below pre-pandemic levels. Despite this, collectively the Council has worked hard to ensure costs and income are managed effectively to achieve a balanced position.

The Council has faced unprecedented challenges as a result of the pandemic and continues to plan in terms of managing the effect of Covid on its future finances, ensuring sufficient reserves are held to withstand future financial pressures. The depth and length of the cost of living crisis is uncertain and it is essential to continue to provide adequate financial resilience through the adequacy of the council reserves.

The Council maintains a level of General Fund balances to provide a measure of protection against risk. Without the protection provided by reserves, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels and redundancies).

The Revenue Risk Reserve together with the Interest Equalisation Reserve are used to mitigate revenue budget risks and interest rate risks facing the Council during the year such as shortfall in income or increase in expenditure.

The Council is determined to address the financial challenges presented by the wider economic difficulties and stringent resource constraints by utilising focused risk management and by embracing all opportunities available to deliver more effective and efficient services for our community.

The forecast over the next five years (2024/25 to 2028/29) is that in order to have a balanced budget the Council will need to find savings of approximately £4.5 million based on the Medium-Term Financial Strategy approved by Council in February 2023. The Council manages financial risk by maintaining adequate reserves to help ensure that the medium-term policy programme is sustainable, the 2023/24 Budget includes the use of £1 million of reserves, and a contribution to the interest equalisation reserve of £1 million as a result of the increased interest earned on balances, to protect the Councils budget from fluctuations in interest rates. The forecast for the medium-term will be refreshed and reported to Members in the autumn of 2023.

The Council will need to mitigate the impact with funding from central government, cautious use of reserves and organisational efficiencies. When reserves are utilised, plans will need to be put in place to replenish them. The Transformation Programme outlined below is expected to address the funding gap and help the organisation become financially sustainable and resilient.

Operational Models

The Council uses a number of operating models to transform its inputs into key services and outcomes. The main operating models are:

- the provision of services model – these services are provided at a net cost to the Council and must be provided under statute, such as Planning Services;
- the contribution to services model – some services within the Council contribute to other services and reduce the Council Tax requirement, these include off-street car parking and investment properties;
- the breakeven model – some services are required by statute to have no impact on the Council Tax, such as taxi licensing;
- the Building Control Mutualisation where Elmbridge Building Control Services Limited provides the Council's building control services and in which the Council owns a 20% stake;
- the on-street car parking model – on-Street Car Parking is a function of SCC and the Council agree to operate the service on their behalf, realising synergies with the off-street parking service, the service has a zero-net cost to the Council. From April 2023 this service will be provided by Surrey County Council.
- the Joint Waste Partnership model – the Council partners with other Surrey Districts in order to realise efficiencies in providing the Waste Collection service; and
- In order to increase the number of affordable housing units the Council Established two wholly owned companies, EBC Investments Ltd and EBC Homes Ltd. The financial sustainability of EBC Homes Ltd is currently under consideration.

Capital Strategy 2023 to 2043

The Capital Strategy demonstrates that the Council takes capital investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability in the long-term context.

The Capital Strategy draws together existing good practice within the Council into a single document and outlines limits on the use of capital receipts to approximately £750,000 per annum and not to exceed £2 million in any rolling three-year period. The guidance also states that the balance of capital receipts shall be not less than £5 million and held as a contingency against unforeseen capital expenditure.

The Capital Strategy analyses the demand for capital expenditure and the predicted availability of capital resources to identify the gap between demand and available resources to inform decision making.

The Capital Strategy was approved in February 2023 and is available on the Council's website.

Risks and Opportunities

Risks

The Council's Risk Management Strategy requires the Corporate Strategic Risk Register to be reviewed on an annual basis. The Register contains details of major identified risks, which could affect the Council's ability to achieve its priorities during the financial year. The top three most significant risks reported in February 2023 are:

- Adverse service planning conditions and / or significant loss of income resulting from changes in national economic conditions beyond the Council's control including the effects of cost of living and high inflation, government and other external funding, other legislative regulatory changes.
- Failure to address the ongoing revenue funding gap identified in the Council's medium term financial strategy including reduction in / elimination of grant funding from external bodies.
- Fluctuations in the property market affecting rental income generated from the Council's property portfolio.

For more information on identified risks please see the Council's Strategic Risk Register approved by Council in February 2023.

Opportunities

The Council carefully monitors any future opportunities that may assist in delivering optimal outcomes and improve service provision. Significant future opportunities include:

- Continuing to digitise and modernise the way services are provided.
- Explore collaboration opportunities with the Council, other Districts & Boroughs and the Voluntary Sector.
- Re-imagine services and target funding to meet the need in the Borough.
- Building strong foundations of existing investment and skills to create fit for purpose services for both current and future Elmbridge residents.

Our new Vision 2030

Our ambition and aspirations for Elmbridge 2030, as well those of all who have provided their hopes and thoughts on the future of borough – our residents, partners, businesses, officers and Councillors - have been distilled into the Elmbridge 2030 Vision.

Elmbridge is a vibrant borough, but we are keenly aware that not all share in its prosperity. There are people and families for whom the weekly food shop, monthly rent and their home heating bills are a constant worry. We will not leave behind the most vulnerable in our community.

We believe strongly in the power of community and what can be achieved by local people and businesses, our public sector partners and the voluntary and community sector all pulling together for the Elmbridge community.

This is also a vision with sustainability at its heart. Environmental sustainability is central to everything we do, as is nurturing sustainable and thriving communities and managing within sustainable finances. We will meet the challenges of the future and realise our ambitions within the resources available to us.

That's why we have committed to a programme of transformation internally at the council. We have added resource to our work on climate change to give profile and authority to what is a defining issue for our administration, and we have reinforced our commitment to the local economy, reflecting the importance of thriving businesses and vibrant high streets.

Our Vision for Elmbridge



Vision statement

A sustainable, thriving Elmbridge driven by the power of our community.

To deliver this Vision,

Elmbridge Borough Council will be a high performing, environmentally and financially sustainable organisation.

Transformation: our 3 year focus

In order to reach our 2030 goals, we know that a rethink and period of transformation is necessary to develop the Elmbridge of the future. We can achieve this through driving change and reconfiguring our service offer for residents.

Here's what you can expect to see us achieve in the first three years of our vision:



We will have launched our package of community initiatives on climate change, implemented a Green Fleet Strategy and be on our way to decarbonising our fleet



We will have undertaken our digital first approach to improve processes and customer access to services



We will have maximised our open spaces; increasing use and income from use, and achieved our developmental plan for Hurst Pool



We will have assessed parking income following the pandemic and subsequent behaviour change, seeing our new strategy in action



Our Local Plan will be in place, outlining our commitments for how the communities and places in the borough will develop



We will use the Housing Enabling fund to increase homes in Elmbridge that meet temporary accommodation needs



We will have significantly progressed the Lower Green regeneration project, with the aim of increased connectivity with surrounding communities



We will have reviewed our approach to our Community Support Services offer to ensure it meets local need and is financially sustainable



We will have completed and implemented our asset strategy review to balance operational, strategic and commercial outcomes



We will have developed and implemented our new Housing & Homelessness strategy to address the housing challenges our community faces

Sustainable

This is a Vision with sustainability at its heart. But what do we mean by sustainable? For Elmbridge 2030, it means being carbon neutral, enhancing our natural environment, as well as supporting and engaging our community with biodiversity, active travel and sustainable living.

Thriving

A thriving borough has vibrant towns and villages, offering residents and visitors the chance to visit the theatre, have a coffee with friends, shop and relax. Our support of the local economy will not only enable businesses to grow but that positive impact will also benefit local amenities such as parks, libraries, leisure facilities.

Community

We are a borough of thriving communities, each with their own passions and priorities. In our role as a community leader, convenor and connector we will engage and empower our communities, while also supporting independence, enhancing health and wellbeing and always striving to keep Elmbridge safe.

A high performing organisation

To deliver on our Vision for community, Elmbridge Borough Council itself needs to continue to be a high performing council. What we do matters to the lives of many in our community, especially when it comes to sustainability and carbon reduction. The stakes are high which is why the needs of the community must come first.

We will always be open and authentic in our communications with residents, transparent in our decision making and listen to the views of our community. We will do this while continuing to be an employer of choice, with a committed and progressive workforce.

Our Vision 2030 establishes our direction for the future and our ambitions for our borough. It provides the backdrop for the modernisation and service transformation proposed within the Transformation Programme.

It's never been more important for us to reimagine our services and facilities in line with need in the community, and for us to explore how that need can be best met. The current events including the effects of energy insecurity and its impact on the cost-of-living crisis all underline the need for us to create a positive sustainable, thriving and caring future for Elmbridge with community at its heart. Underpinning all of this is ensuring Elmbridge is a high performing organisation, one that listens, is transparent and proactive with an agile and progressive workforce.

We are accelerating our plans to review what we do and how we do it through an inspiring Transformation Programme which will ensure that we work efficiently and effectively in a way that is modern, affordable and sustainable.

Looking ahead

Despite the current economic climate, the Council is making progress enabling us to deliver quality services and value for money for Elmbridge residents now and in the future. We will bring forward plans and budgets which are sustainable by ensuring that we are as effective and efficient as possible by strengthening our digitalisation, agile working initiatives so that we can continue to deliver our vision and priorities.

Elmbridge has a strong record of prudence in the way we manage our finances, and will continue to do so whilst reviewing our services to ensure they meet need and are delivered economically, efficiently and effectively.

With the Council's commercial income stream holding up despite the continuing effect of the pandemic, the Council has a balanced budget for 2023/24 and plans are in place for the MTFS period, placing the Council in a good position to respond to ongoing challenges.

The Council's Vision 2030 establishes our direction for the future and our ambitions for the Borough. It provides the backdrop for the modernisation and service transformations proposed within the Transformation Programme. The Transformation programme will drive change and reconfigure the Organisation's service offering so that it is financially sustainable by maximising income, making efficiencies and savings, ensuring revenue and capital expenditure is in proportion to available funds, reduce reliance on and rebuilding the Council's reserves over the medium to long term.



Elmbridge
Borough Council
... bridging the communities ...

Statement of Accounts Year Ended 31 March 2023



Contents

Page No.

Statement of Responsibilities	1
Independent Auditor's Report to Members of Elmbridge Borough Council	2
Core Financial Statements	
Movement in Reserves Statement	7
Comprehensive Income and Expenditure Statement (CIES)	8
Balance Sheet	10
Cash Flow Statement	11
Notes to the Core Financial Statements	12
Collection Fund Income and Expenditure Account	69
Notes to the Collection Fund Income and Expenditure Account	70
Glossary of Terms	71
Abbreviations	74
Annual Governance Statement (AGS)	76

Statement of Responsibilities for the Statement of Accounts

This Statement is given in respect of the Statement of Accounts 2022/23, signed and dated by the responsible financial officer on behalf of the Council.

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Head of Finance and Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Approved by Council

The Audited Statement of Accounts was approved at a meeting of the Audit & Standards Committee on 6 March 2024

Councillor Coomes
Chair of Audit & Standards Committee
20 March 2024

Responsibilities of S151 Officer as Head of Finance

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the S151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The S151 Officer has also:

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

Certificate of Head of Finance

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2023. I can also confirm that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2015.

Andrew Cooper
Head of Finance & Section 151 Officer
Date Issued: 20 March 2024

Independent auditor's report to the members of Elmbridge Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Elmbridge Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Accounts and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Head of Finance and Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Head of Finance and Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Head of Finance and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Finance and Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Head of Finance and Section 151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Head of Finance and Section 151 Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Section 151 Officer. The Head of Finance and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Audit and Standards Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition. We determined that the principal risks were in relation to journal entries which met a range of criteria defined as part of our risk assessment. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration,

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of in respect of land and buildings, investment property and defined benefit pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Elmbridge Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

20 March 2024

Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	Collection Fund Support Government Grants	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021/22									
Balance at 31 March 2021 brought forward	4,000	41,776	20,585	66,361	16,949	17,947	101,257	27,868	129,125
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	18,865	(3,457)	(7,885)	7,523			7,523	36,751	44,274
Adjustments between accounting basis and funding basis under regulation (Note 7)	(18,865)			(18,865)	1,589	3,740	(13,536)	13,536	
Increase (Decrease) in 2021/22	-	(3,457)	(7,885)	(11,342)	1,589	3,740	(6,013)	50,287	44,274
Balance at 31 March 2022 carried forward	4,000	38,319	12,700	55,019	18,538	21,687	95,244	78,155	173,399

The movement in reserves statement shows the position at the 31 March 2023 for the movements between reserves in accordance with the requirements of the Code of Practice. Detailed analysis of the movement in Earmarked Reserves is found in Note 8 to the Statement of Accounts.

	General Fund Reserve	Earmarked Revenue Reserves	Collection Fund Support Government Grants	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2022/23									
Balance at 31 March 2022 brought forward	4,000	38,319	12,700	55,019	18,538	21,687	95,244	78,155	173,399
Movement in reserves during 2021/22									
Total Comprehensive Income and Expenditure	913	4,164	(11,967)	(6,890)			(6,890)	57,952	51,062
Adjustments between accounting basis and funding basis under regulation (Note 7)	(913)			(913)	824	1,018	929	(929)	
Increase (Decrease) in 2022/23	-	4,164	(11,967)	(7,803)	824	1,018	(5,961)	57,023	51,062
Balance at 31 March 2023 carried forward	4,000	42,483	733	47,216	19,362	22,705	89,283	135,178	224,461

Comprehensive Income and Expenditure Statement (CIES)

2021/22			2022/23			
Gross Expenditure*	Gross Income*	Net Expenditure*	Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
Service Expenditure						
122		122		189		189
6,200	1,751	4,449		6,799	2,380	4,419
2,891	3,860	(969)		2,559	4,419	(1,860)
6,349	832	5,517		6,711	2,046	4,665
4,471	2,735	1,736		4,080	2,168	1,912
38,317	33,660	4,657		38,141	33,977	4,164
6,985	1,123	5,862		7,350	1,148	6,202
9,817	6,955	2,862		9,818	6,173	3,645
2,984	78	2,906		3,112	121	2,991
2,569	7	2,562		458	37	421
80,705	51,001	29,704		79,217	52,469	26,748
207	172	35	9	50	924	(874)
	1,616	(1,616)			208	(208)
6,343	15,110	(8,767)	10	18,337	13,119	5,218
26,449	53,328	(26,879)	11	23,493	47,487	(23,994)
113,704	121,227	(7,523)		121,097	114,207	6,890
		(17,741)	24.2			(9,285)
		(19,010)	40.2			(48,667)
		(36,751)				(57,952)
		(44,274)				(51,062)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The agreement between the Council and the Elmbridge Housing Trust (now Paragon Asra) required that a proportion of the proceeds derived from the sale of the council houses transferred to the Trust under Right to Buy arrangements would in future years be passed to Elmbridge Borough Council. In 2022/23 £208,491, after taking account of the cost of sales, was due to be paid to the Council. The income can only be used to finance capital expenditure, or repay debt, and has been transferred to the Capital Receipts Reserve.

Restating the 2021/22 Portfolios for a change in the Portfolio Structure in 2022/23 for Comparison Purposes

Old Portfolios	2021/22			Movement		2021/22 restated to 2022/23 Portfolios			
	Gross Expenditure	Gross Income	Net Expenditure	Expenditure	Income	Gross Expenditure	Gross Income	Net Expenditure	New Portfolio
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
				122	0	122		122	Climate Change
Community Development	430	63	367	(430)	(63)				
Corporate Development	2,502	15	2,487	482	62	2,984	77	2,907	Policy And Transformation
Environment	7,401	922	6,479	(1,052)	(90)	6,349	832	5,517	Environmental Services
Highways and Transport	3,275	3,860	(585)	(384)	0	2,891	3,860	(969)	Enterprise And Local Economy
Housing	38,317	33,660	4,657	0	0	38,317	33,660	4,657	Housing
Leisure and Culture	6,985	1,123	5,862	0	0	6,985	1,123	5,862	Leisure And Culture
Licensing	630	300	330	(630)	(300)				
Resources	4,471	2,735	1,736	0	0	4,471	2,735	1,736	Finance And Resources
Social	6,200	1,751	4,449	0	0	6,200	1,751	4,449	Community Care
Planning	7,925	6,565	1,360	1,892	391	9,817	6,956	2,861	Planning And Environmental Health
Covid Expenditure	2,569	7	2,562	0	0	2,569	7	2,562	Covid Expenditure
Total	80,705	51,001	29,704	0	0	80,705	51,001	29,704	Total

Notes (main reason for the changes in the expenditure and income in the new portfolio's)

- 1 A new portfolio, transferred from the Environment Portfolio
- 2 The Community Development and the Corporate Development portfolios have been combined in the Policy and Transformation Portfolio
- 3 The Environmental Health function has been transferred to the Planning and Environment Health Portfolio
- 4 Environment improvements have moved to the Planning and Environmental Portfolio
- 5 The Licensing portfolio has been moved in to the Planning and Environmental Health Portfolio
- 6 This now combines Planning, Environmental Health and Licensing

Balance Sheet as at 31 March 2023

2021/22 £'000		Notes	2022/23 £'000
110,845	Property Plant & Equipment	12	119,745
1,424	Heritage Assets	13	1,424
99,899	Investment Properties	14	91,569
1,019	Intangible Assets	15	959
13,369	Long Term Investments	16	13,440
1,174	Long Term Debtors		930
227,730	Long Term Assets		228,067
63,178	Short Term Investments	16	62,384
58	Inventories		61
18,165	Short Term Debtors	18	12,488
24,993	Cash and Cash Equivalents	19	28,459
106,394	Current Assets		103,392
(43,026)	Short Term Creditors	21	(35,954)
(1,136)	Short Term Loans	21	(1,147)
(44,162)	Current Liabilities		(37,101)
(60,297)	Net Liability Arising from the Defined Benefit Obligation	40	(16,258)
(3,836)	Provisions	39	(2,356)
(52,430)	Long Term Borrowing	43	(51,283)
(116,563)	Long Term Liabilities		(69,897)
173,399	Net Assets		224,461
95,244	Useable Reserves	23	89,283
78,155	Unusable Reserves	24	135,178
173,399	Total Reserves		224,461

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory or other limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

2021/22		2022/23
£'000	Notes	£'000
(7,523)	Net (surplus) / deficit on the provision of services	6,890
(8,840)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25.1 (16,471)
8,359	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25.2 11,290
(8,004)	Net cash flows from operating Activities	1,709
22,694	Investing Activities	26 (5,879)
(12,323)	Financing Activities	27 704
2,367	Net (increase) / decrease in cash and cash equivalents	(3,466)
(27,360)	Cash and cash equivalents at the beginning of the reporting period	(24,993)
(24,993)	Cash and cash equivalents at the end of the reporting period	19 (28,459)

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

There is no significant change in cash and cash equivalents at 31 March 2023 compared with the previous year.

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises 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 Regulations require to be prepared in accordance with proper accounting practices. These regulations were further amended by the Accounts and Audit (Amendment) Regulations 2022, stipulating the accounts must be issued by 31 May and the Audited Accounts published by 30 September. These practices, under Section 21 of 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice 2022/23, 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. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a specified period, no more than one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Council cannot raise Council Tax to fund depreciation, revaluations, impairment losses or amortisations. 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 prudential basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluations, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between them.

1.6 Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis, to the appropriate service segment line in the CIES, at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve constructed using 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; and
- property – market value.

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the CIES as part of the service segments; net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability 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 to the extent not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Reporting Period

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

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

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

1.9 Financial Instruments

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their 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) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income]

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

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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.

1.10 Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

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

1.11 Community Infrastructure Levy (CIL)

The Council has elected to charge a CIL. The Levy is charged on new builds with appropriate planning consent. This Council charges for and collects the levy, a planning charge. The Council raises and collects the levy and the income from this planning charge is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions and is recognised in the CIES.

Any unallocated CIL at the end of the financial year is held as an earmarked revenue reserve. When CIL Grants are awarded, depending on the nature of the expenditure it is awarded for, the funds are moved to the appropriate classification on the Council's Balance Sheet e.g. Capital Grants Unapplied, Creditors or Receipts in Advance.

1.12 Heritage Assets & Memorials

Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. The Authority's heritage assets are accounted for in accordance with the nature of the asset and the relevant accounting policy.

Memorials

The Council is responsible for a number of memorials in the Borough. These memorials, while having significant value to the community, have no resale value and are not used for any operational purpose. The memorials are reflected in the balance sheet at replacement cost and are not depreciated on the basis they have indeterminate lives and are fully maintained.

1.13 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the website is capitalised because the website is not solely or primarily intended to promote or advertise the Council's goods or services, as it also includes facilities for web-based payments.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Interests in Companies and Other Entities

Apart from the Building Control Service and EBC Investments Ltd the Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and has no requirement to prepare group accounts.

In August 2015 the Council established a mutual for the Building Control Service in which it owns 20% of the share equity with the balance being owned by the employees of the mutual.

The authority has a material interest (100% owned) in EBC Investments Ltd that have the nature of a subsidiary, it may require it to prepare group accounts at a later date. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The company became operational in January 2019 with the first accounting year ending on 31 March 2020, the nature and value of the transactions were not material in either 2021/22 or 2022/23.

1.15 Inventories and Long-Term Contracts

Inventories are valued at the latest price paid, with an appropriate allowance made for obsolescent and slow-moving items. This is a departure from the requirements of The Code of Practice on Local Authority Accounting, which require stocks to be shown at the lower of cost or net realisable value, if lower. The effect of the difference in treatment is not material.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.16 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 line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.17 Leases

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

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

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

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 into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES)

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits 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 premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.19 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. For accounting purposes, the Council has a de-minimis level of £10,000.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure and community assets– depreciated historical cost;
- assets under construction – historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective; and
- 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 fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued according to the following revaluation programme. This is considered to be sufficiently regularly to ensure that the carrying amounts are not materially different from the fair values at the year-end:

- Annually – Civic Centre / Car Parks / Xcel Leisure Centre / Sports Hub.
- Every 3 years – Walton Town Centre / Cemetery Houses / Albermarle House
- Every 5 years – All other asset groups.

Asset revaluations are phased to ensure that at least 70% of the total asset value is revalued every year.

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

Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation

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

Depreciation is calculated on the following basis:

- other buildings, plant, furniture and equipment and infrastructure – straight-line allocation over the useful life of the property as estimated by the valuer, or the estimated useful life of the other assets;
- vehicles – reducing balance - a percentage of the value of each vehicle, as advised by a suitably qualified officer; and

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. It is then carried at the lower of this amount and fair value less costs to sell. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating expenditure in the CIES. Gains in 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.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale, is written off to the Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

1.21 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 in that year to be included the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

From 1 April 2013 the Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for reserves set out above. CIL charges will be largely used to fund capital expenditure. However, they may also be used to fund revenue expenditure. Once a decision has been made on how the funds will be allocated the revenue reserve is transferred to the appropriate part of the balance sheet (Capital Grants, Short Term Creditors or Earmarked Reserves).

1.22 Revenue Expenditure Funded from Capital under Statute

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

1.23 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.

1.24 Fair Value Measurement

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

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

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

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

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

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

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

2. Exceptional Item

The costs and impacts of the Councils response to Covid for 2021/22 have been included in both the Income and Expenditure Account and the impacts shown on the Balance Sheet.

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

There are no changes in accounting requirements for 2023/24 that are anticipated to have a material impact on the Council's financial performance or financial position.

4. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to lose facilities and reduce levels of service provision.

5. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The periodic revaluation of Land and Building assets are subject to complex valuation techniques undertaken by professional valuers based on certain assumptions at the time the valuations are undertaken which may change over the passage of time.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £258,000 for every year that useful lives had to be reduced.</p> <p>Of the total value of the Councils Operational Land & Buildings £86.7 million was revalued during 2022/23 and Investment Properties totalling £91.6 million at 31 March 2023. These values are material and the sources of estimation uncertainty as they require complex valuation techniques, use of indices, comparison with values of alternative sites etc. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year may be based on different assumptions to the current year and could result in material adjustment to their carrying amount.</p>
Investment Properties	<p>The annual revaluation of Investment Property assets are subject to complex valuation techniques undertaken by professional valuers based on certain assumptions at the time the valuations are undertaken which may change over the passage of time.</p>	<p>Movements in value are charged to the CI&E account but are reversed out under regulation and held in unusable reserves and have no impact on taxation or usable resources. Without undertaking another valuation exercise at a real cost to the taxpayer it is not possible to estimate the amount of any difference.</p> <p>The effect of a 5% change in the carrying value of investment properties would equate to a +/- change in the value by £4.6 million.</p>

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £2 million. However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £6 million. Similarly, a 1.0% increase in the salary rate or in the pension increase rate would increase the liability by £2 million and £20 million respectively.
Impairment Losses on Debtors	Estimation of the impairment losses on debtors from all debtors.	The effect of Covid-19 and the cost of living crisis on both individuals and business to pay debts remains uncertain. If the allowance for impairments changes by 10% the cost would be an additional £1.6 million. At 31 March 2023 the carrying value of the bad debt provision was £3,562,000.
Provision for Appeals Business Rates	Estimation of the likelihood of successful appeals against the valuations calculated by the Valuation Office	The effect of a 1% (currently an allowance of 4% of the of the outstanding checks) change in the assumption for appeals against the 2017 valuations would result in a £1.4 million change in the provision, of which Elmbridge's provision would change by £0.6 million.

6. Events after the Reporting Period

The issued Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 31 May 2023. Events taking place after the date of issuance of the audited financial statements are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2021/22	Usable Reserves			Unusable Reserves £'000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
Adjustments to Revenue Resources				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(3,598)			3,598
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	11,848			(11,848)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	1,210		(6,020)	4,810
Adjustments between Revenue and Capital Resources				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	1,787	(1,787)		
Statutory provision for the repayment of debt (transfer from the CAA)	1,590			(1,590)
Capital Expenditure financed from revenue balances (transfer to the CAA)	404			(404)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		405		(405)
Application of capital grants to finance capital expenditure	1,224		2,280	(3,504)
Cash payments in relation to deferred capital receipts		(207)		207
Other				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18			(18)
Revenue expenditure funded from capital under Statute	(2,876)			2,876
Movements in the market value of Investment Properties	7,258			(7,258)
Total Adjustments	18,865	(1,589)	(3,740)	(13,536)

2022/23	<u>Usable Reserves</u>			<u>Unusable Reserves</u>
	<u>General Fund Balance</u>	<u>Capital Receipts Reserve</u>	<u>Capital Grants Unapplied</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	
Adjustments to Revenue Resources				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(3,034)			3,034
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	9,516			(9,516)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	2,208		(6,694)	4,486
Adjustments between Revenue and Capital Resources				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	1,131	(1,131)		
Statutory provision for the repayment of debt (transfer from the CAA)	1,607			(1,607)
Capital Expenditure financed from revenue balances (transfer to the CAA)	85			(85)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		513		(513)
Application of capital grants to finance capital expenditure	2,021		5,676	(7,697)
Cash payments in relation to deferred capital receipts		(206)		206
Other				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(38)			38
Revenue expenditure funded from capital under Statute	(3,740)			3,740
Movements in the market value of Investment Properties	(8,843)			8,843
Total Adjustments	913	(824)	(1,018)	929

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2022/23.

	Note	Balance at	Transfers In	Transfers Out	Balance at	Transfers In	Transfers Out	Balance at
		31 March 2021			31 March 2022			31 March 2023
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Contingency & Rent Risk Reserve	a	1,225			1,225			1,225
Strategic Reserve (LABGI)	b	519		(53)	466		(55)	411
Corporate Restructure - Initiatives	c	419			419			419
Capital Expenditure and Repairs & Maintenance	d	709	100		809	325	(34)	1,100
Investment Properties - Maintenance (Sinking Fund)	e	400	200	(153)	447	200	(10)	637
Performance Reward (LPSA)	f	152		(39)	113			113
Grant Equalisation Reserve	g	693		(150)	543		(150)	393
Interest Equalisation	h	664		(185)	479	557		1,036
Approved Carry Forward Requests	i	914	639	(672)	881	150	(6)	1,025
Car parking Maintenance	j	504	100	(53)	551	150	(36)	665
New Homes Bonus Reserve	k	1,185	205	(228)	1,162	399	(41)	1,520
New Homes Bonus Reserve - Enabling Fund	l	688	56	(82)	662		(47)	615
Elmbridge Civic Improvement Fund	m	403	4	(24)	383		(9)	374
Community Safety	n	192	28	(91)	129		(14)	115
Service Specific	o	938	28	(60)	906	273	(137)	1,042
Housing Reforms	p	597			597			597
Planning Delivery Grant	q	94		(34)	60		(27)	33
Property Acquisition Reserve	r	1,315	106		1,421			1,421
Business Rate Equalisation Reserve	s	5,219		(1,300)	3,919	3,534	(199)	7,254
Business Rate Pilot Infrastructure Feasibility studies	t	400			400	385	(33)	752
Planning Related Receipts (S106, SANGS and Tariffs)	u	3,195	116	(52)	3,259	56	(11)	3,304
Land Charges	v	91		(90)	1	28		29
Insurance	w	232			232			232
Covid Mitigation Reserve	x	1,000		(1,000)	-			-
Transformation Programme Reserve	y	315	200	(35)	480	250	(160)	570
Climate Change	z	-			-	546		546
Cost of Living Crisis Fund	COL	-			-	500	(196)	304
Total Earmarked Revenue Reserves (Excluding CIL)		22,063	1,782	(4,301)	19,544	7,353	(1,165)	25,732

	Note	Balance at			Balance at			Balance at
		31 March 2021	Transfers In	Transfers Out	31 March 2022	Transfers In	Transfers Out	31 March 2023
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Earmarked Revenue Reserves (Excluding CIL)		22,063	1,782	(4,301)	19,544	7,154	(966)	25,732
Community Infrastructure Levy (CIL)	CIL1	7,735	884	(1,944)	6,675	988	(1,626)	6,037
Community Infrastructure Levy (Strategic Infrastructure and Maintenance Projects)	CIL2	11,978	3,940	(3,818)	12,100	3,264	(4,650)	10,714
Total Earmarked Revenue Reserves (Including CIL)		41,776	6,606	(10,063)	38,319	11,406	(7,242)	42,483
Collection Fund Support - Government Grants	CF	20,585	4,928	(12,813)	12,700	-	(11,967)	733

Notes to Earmarked Reserves

Notes	
a	To meet current and future contingency requirement and the revenue budget risks facing the authority. It will provide cover for rental income if it falls below the level assumed in the MTFS.
b	Fund received for growth in Business Rates used to reinvest in business related improvements, hanging baskets and Christmas lights.
c	To meet staffing costs arising from Council reorganisations or restructures.
d	Revenue sums held to finance capital expenditure and to deal with emergency repairs and maintenance and dilapidation costs to council owned property.
e	A reserve established to provide for maintenance on the Councils Investment Properties, from the property rental income.
f	Local Public Service Agreement funds used to fund projects of a one-off nature.
g	Established to mitigate the effect of the time limited funding relating to freezing council tax from central government.
h	Set aside to protect the authority's annual budget in the event of in-year or between-year fluctuations in investment returns.
i	To finance items included of a one-off nature where budget provision has been made, but the expenditure will be incurred in the following financial year.
j	Established by allocating 5% of the income stream from "Off-Street" car parking to provide funding for the ongoing maintenance of the Council's car parks.
k	A reserve established from New Homes Bonus funding, received to provide incentives and rewards for Councils and Communities to build homes in their area, mainly used to fund capital project.
l	Funds set aside from New Homes Bonus to assist with the provision of affordable housing.
m	Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement of local businesses and regeneration of the borough.
n	Funds provided by the Home Office and held in respect of Crime and Disorder initiatives.
o	Funds principally held in respect of bequests and donations to support the ongoing provision and maintenance of Centres for the Community, the ongoing maintenance of graves and other specific receipts.
p	Established to protect the Council's revenue accounts during the period of transition to Universal Credit and changes resulting from Welfare Reform.
q	Reserve established from a planning delivery grant. Fully committed to fund part of the costs associated with the preparation of the Local Plan.
r	To use in the purchase of Property Assets for regeneration/Residential purposes. Funding for the year was transferred from the New Homes Bonus Reserve.
s	Net surplus arising from the Business Rates Retention Scheme retained by the Council to offset any future deficits attributable to the Council.
t	To fund infrastructure feasibility studies as a result of the agreement for the Council being a member of the Business Rate Surrey Pilot.
u	Receipts held as a result of the approval of planning consent, the funding must be used in accordance with the planning agreement.
v	Established for Land Charges surplus income, which may be used to fund deficits arising for those services in future years in accordance with legislative requirements.
w	Held in respect of future payments required for self-insurance / premium excess payments.
x	Reserve Established to mitigate the impact of Covid on the 2021/22 revenue budget.
y	Reserve established to assist with the Councils transformation programme to deliver sustainable budget savings.
z	Established to fund the revenue costs of the Councils response to Climate Change.
COL	Established to help residents of the borough as a result of the impact of the cost of living crisis.
CIL1	Community Infrastructure Receipts held to meet future infrastructure requirements as outlined in the Community Infrastructure Levy Regulations and subsequent amendments.
CIL 2	Community Infrastructure Receipts earmarked for Strategic Infrastructure and Maintenance Projects
CF	Funding provided by government in relation to the Collection Fund, in relation to the covid business reliefs given during 2020/21 and 2021/22. The closing balance of £12.7 million will be credited to revenue to match the deficits on Council Tax and Business rates which will be charged against the collection funds over the next two year (2022/23 and 2023/24) as a consequence of the accounting requirements for Business Rates.

9. Other Operating Expenditure

2021/22		2022/23
£'000		£'000
(14)	(Gains)/losses on the disposal of non-current assets	(924)
49	Other	50
35	Total	(874)

10. Financing and Investment Income and Expenditure

2021/22		2022/23
£'000		£'000
1,323	Interest payable and similar charges	1,307
1,518	Net interest on the net defined benefit liability	1,667
(766)	Interest receivable and similar income	(2,418)
(10,842)	Income and expenditure in relation to investment properties and changes in their fair value	4,662
(8,767)	Total	5,218

11. Taxation and Non-Specific Grant Income and Expenditure

2021/22		2022/23	
		Gross Expenditure	Gross Income
Net Income			Net Income
£'000		£'000	£'000
(15,215)	Council Tax income	-	(15,634)
(5,597)	Non Domestic Rates	23,493	(27,418)
(3,442)	Non-ringfenced government grants	-	(1,296)
(2,625)	Capital grants and contributions	-	(3,139)
(26,879)	Total	23,493	(47,487)

12. Property, Plant and Equipment

The table analyses the movements on property, plant and equipment by asset class.

Movements in 2021/22	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2021	88,796	15,309	893	479	3,985	1,591	111,053
Additions	318	576	168	-	-	182	1,244
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	16,175	-	-	-	(1,424)	-	14,751
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(742)	-	-	-	(56)	-	(798)
Derecognition - disposals	-	(223)	-	-	(155)	-	(378)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	-	-	-
Other movements in cost or valuation	77	-	-	(77)	-	-	-
At 31 March 2022	104,624	15,662	1,061	402	2,350	1,773	125,872
Accumulated Depreciation and Impairment							
At 1 April 2021	(3,256)	(10,355)	(491)	(81)	(366)	-	(14,549)
Depreciation charge	(2,534)	(1,043)	(24)	(1)	(86)	-	(3,688)
Depreciation written out to the Revaluation Reserve	2,650	-	-	-	340	-	2,990
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	220	-	-	-	-	220
Other movements in depreciation and impairment	(20)	-	-	20	-	-	-
At 31 March 2022	(3,160)	(11,178)	(515)	(62)	(112)	-	(15,027)
Net Book Value							
At 31 March 2022	101,464	4,484	546	340	2,238	1,773	110,845
At 31 March 2021	85,540	4,954	402	398	3,619	1,591	96,504

Movements in 2022/23	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2022	104,624	15,662	1,061	402	2,350	1,773	125,872
Additions	2,819	1,225	154	-	-	192	4,390
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,736	-	-	-	-	-	5,736
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(543)	-	-	-	-	-	(543)
Derecognition - disposals	-	(9)	-	-	-	-	(9)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	-	(470)	(470)
Other movements in cost or valuation	3	237	510	-	481	(1,231)	-
At 31 March 2023	112,639	17,115	1,725	402	2,831	264	134,976
Accumulated Depreciation and Impairment							
At 1 April 2022	(3,160)	(11,178)	(515)	(62)	(112)	-	(15,027)
Depreciation charge	(2,654)	(957)	(55)	(1)	(94)	-	(3,761)
Depreciation written out to the Revaluation Reserve	3,549	-	-	-	-	-	3,549
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	8	-	-	-	-	8
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2023	(2,265)	(12,127)	(570)	(63)	(206)	-	(15,231)
Net Book Value							
At 31 March 2023	110,374	4,988	1,155	339	2,625	264	119,745
At 31 March 2022	101,464	4,484	546	340	2,238	1,773	110,845

Revaluation and Depreciation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

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

- Buildings – straight line, 7 to 80 years.
- Vehicles – reducing balance, 33% or 55% of carrying amount.
- Plant, Furniture and Equipment – straight line, 5 to 50 years.

In 2022/23 the following groups of properties were re-valued at 1 April as part of the rolling programme and/or the remaining useful lives assigned to them were changed. These changes have had the overall financial effect of reducing the total annual depreciation for other land and buildings however, by regulation depreciation has no effect on taxation.

RICS Registered Valuer	Asset Group	Change to useful Life in years
Stuart La Frenais MRICS for and on behalf of Elmbridge Borough Council	Car Parks	No Change
Guy Emmerson MRICS and Fraser Castle MRICS for and on behalf of Bruton Knowles LLP	Xcel Leisure Centre	No Change
	Walton Sports Hub	No Change
	Civic Centre	No Change
	Elmbridge Community Hub	Increased from 15 to 44 years
	Public Halls	Elmgrove reduced from 10 to 0 years. Playhouse increased from 20 to 35 years. Vine Hall – No Change
	Public Conveniences	Increased from 25 to 58 years except Churchfields Recreation Ground which increased from 30 to 58 years.
	Walton Tennis Club	Increased from 8 to 33 years
	Cowey Lodge	Increase from 60 to 73 years
Ian S Pitt BSc (Hons) FRICS IRRV (Hons) and Louise Rymel BSc (Hons) MRICS on behalf of Bruton Knowles LLP	Investment Properties	N/A - Not depreciated

The April 2023 valuation of Car Parks identified an increase of £3.5 million due to the upturn in car park income during 2022/23. The April 2023 cycle of revaluations also identified a further net total of around £3.6 million from the valuation of Mill Road Depot (£4.7 million), Mole Business Park (£1.1 million), Thames Ditton Centre (£1.0 million), Excel leisure Centre (6.7 million) offset by downward valuations on the Civic Centre (£7.6 million) and the Walton Sports Hub (£2.3 million). These valuations were undertaken by Ian S Pitt BSc (Hons) FRICS IRRV (Hons) and Louise Rymel BSc (Hons) MRICS both RICS registered valuers on behalf of Bruton Knowles LLP. These revaluations have been reflected in the 2022/23 accounts.

The following table breaks down the property, plant and equipment portfolio valuation over the years in which the valuations were made:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	4,703	17,115	1,725	402	481	264	24,690
Valued at fair value as at:							
31 March 2023	86,652	-	-	-	-	-	86,652
31 March 2022	4,960	-	-	-	2,350	-	7,310
31 March 2021	10,475	-	-	-	-	-	10,475
31 March 2020	5,577	-	-	-	-	-	5,577
31 March 2019	272	-	-	-	-	-	272
Total Cost or Valuation	112,639	17,115	1,725	402	2,831	264	134,976

13. Heritage Assets

There has been no revaluation, impairment or disposal of Heritage Assets during either 2022/23 or 2021/22. The assets held at the 31 March are categorised as shown below:

2021/22 £'000		2022/23 £'000
816	War Memorials	816
520	Museum Artefacts & Civic Regalia	520
64	Heritage Marker	64
24	Xcel Art	24
1,424	Total Heritage Assets	1,424

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES. The increase in income is mainly due to the rent-free periods due to Covid-19 ending.

2021/22		2022/23
£'000		£'000
4,459	Rental income from investment property	5,017
(875)	Direct operating expenses arising from investment property	(836)
<u>3,584</u>	Net income	<u>4,181</u>
7,258	Net (loss)/gain from fair value adjustments	(8,843)
10,842	Net gain	(4,662)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the income and the proceeds of disposal. The Council has no material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement. All the Councils investment properties fair value measurements are based on other significant observable inputs. The Office Units and Commercial properties are measured using the investment method of valuation, assessing the passing rent and market rent by comparison to other transactions, and capitalising the income stream at an appropriate yield to reflect the key investment characteristics of the property.

As at the valuation date of 31st March 2023 there remains some uncertainty regarding world events including the war in Ukraine. Whilst these factors are currently not regarded as implying an official "material uncertainty" it is considered prudent to monitor assets on a regular basis.

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

2021/22		2022/23
£'000		£'000
92,641	Balance at start of the year	99,899
	Additions:	
-	Purchases	43
7,258	Net (loss)/gain from fair value adjustments	(8,843)
	Transfers:	
-	(To)/from Property, Plant and Equipment	470
-	(To)/from Surplus Assets Awaiting Disposal	-
<u>99,899</u>	Balance at end of the year	<u>91,569</u>

The investment property portfolio consists of £13.4million of Office Buildings, £64 million of Industrial/Retail Premises (Commercial), £7.4 million of Residential and £6.8 million of other sites.

15. Intangible Assets

The Council accounts for its software as intangible assets. All software is attributed a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 10 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £182,259 charged to revenue in 2022/23 was charged to the Information Systems Service and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement of Intangible Asset balances during the year is as follows:

2021/22 £'000		2022/23 £'000
	Balance at start of year:	
4,346	Gross carrying amounts	4,538
(3,353)	Accumulated amortisation	(3,519)
993	Net carrying amount at start of year	1,019
	Additions:	
192	Purchases	122
-	Other disposals	-
(166)	Amortisation for the period	(182)
-	Other changes	-
1,019	Net carrying amount at end of year	959
	Comprising:	
4,538	Gross carrying amounts	4,660
(3,519)	Accumulated amortisation	(3,701)
1,019		959

16. Financial Instruments

Categories of Financial Instruments

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

2021/22			2022/23	
Non-current £'000	Current £'000		Non-current £'000	Current £'000
		Financial assets at amortised cost		
13,369	63,178	Investments *	13,440	62,384
1,174	35,625	Debtors ^	930	39,407
14,543	98,803	Total financial assets	14,370	101,791
		Financial liabilities at amortised cost		
52,430	1,136	Borrowing	51,283	1,147
-	20,874	Creditors	-	22,329
52,430	22,010	Total financial liabilities	51,283	23,476

* Figures for investments include interest accrued but not yet received

^ Analysis of the cash & cash equivalent financial instrument balances included within Debtors, appears at Note 19.

Income, Expense, Gains and Losses

2021/22				2022/23		
Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Total £'000		Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Total £'000
1,323	-	1,323	Interest expense	1,307	-	1,307
-	37	37	Impairment losses	-	204	204
1,323	37	1,360	Total expense in Surplus or Deficit on the Provision of Services	1,307	204	1,511
-	(765)	(765)	Interest income	-	(2,421)	(2,421)
-	(765)	(765)	Total income in Surplus or Deficit on the Provision of Services	-	(2,421)	(2,421)
1,323	(728)	595	Net (gain)/loss for the year	1,307	(2,217)	(910)

Fair Value of Assets and Liabilities

Financial assets and liabilities represented by investments, non-current debtors and creditors are carried in the Balance Sheet at amortised cost. The authority has no assets or liabilities designated at 'Fair value through profit or loss' or 'Fair value through other comprehensive income'. Their fair values are assessed on the basis of other significant observable inputs (Level 2 in the fair value hierarchy) by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest at 31 March 2023 of 4.23% to 4.71% applies to loans from PWLB, and 1.50% to 4.87% for loans receivable (investments) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are calculated as follows, the Council holds no Level 1 or Level 3 financial instruments:

2021/22			2022/23			
Carrying amount	Fair value	of which: Level 2	Financial liabilities at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
22,010	22,010	22,010	Current liabilities	23,476	23,476	23,476
52,430	52,672	52,672	Non-current liabilities	51,283	36,281	36,281

The fair value of non-current liabilities is lower than the carrying amount because the rates payable on the Council's PWLB loans are lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

2021/22			2022/23			
Carrying amount	Fair value	of which: Level 2	Financial assets at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
98,803	98,803	98,803	Current assets	101,791	101,791	101,791
14,543	14,654	14,654	Non-current assets	14,370	13,687	13,687

The fair value of the non-current assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) attributable to the commitment to receive interest below current market rates.

Current debtors and creditors are carried at cost, as this is a fair approximation of their value.

17. Construction Contracts

At 31 March 2022 and at 31 March 2023 the Authority had no material construction contracts.

18. Short Term Debtors

2021/22		2022/23
£'000		£'000
1,057	Trade Receivables	1,258
7,198	Local Taxation (Council Tax and Business Rates)	1,044
720	Prepayments	523
9,190	Other receivable amounts	9,663
18,165		12,488

The main reasons for the decrease in short term debtors, relates to Local Taxation for the government and preceptors as set out below.

18.1 Debtors for Local Taxation

2021/22		2022/23
£'000		£'000
	Debtors	
927	Less than a year	836
623	More than a year	761
1,550		1,597
6,521	Government and Preceptor Debtors	385
(873)	Impairments	(938)
7,198		1,044

The additional income for Business Rate reliefs as a result of Covid was all paid to the Council in 2020/21 the Council have paid Central Government and Surrey County Council for their proportions of these grants during 2021/22. There was no grants to be repaid in 2022/23.

19. Cash and Cash Equivalents

The cash and cash equivalent is made up of the following amounts:

2021/22		2022/23
£'000		£'000
-	Cash held by the Authority	1
9,861	Bank current accounts	368
15,132	Short-term deposits with banks and building societies	28,090
24,993	Total Cash and Cash Equivalents	28,459

Short term deposits with banks and building societies have less than one month to maturity.

20. Assets held for sale

At 31 March 2023 the Council held no assets for sale, at 31 March 2022 the Council did not hold any assets for sale.

21 Creditors

21.1 Short Term Creditors

2021/22		2022/23
£'000		£'000
(6,322)	Trade Payables	(7,627)
(7,064)	Other Payables	(6,049)
(19,621)	Local Taxation (Council Tax and Business Rates)	(13,774)
(10,019)	Receipts in advance	(8,504)
(43,026)		(35,954)

The main reason for the reduction in Local Taxation relates to the Business Grants that were outstanding at 31 March 2022 (£8.7 million), reduced at the 31 March 2023 (£1.2m) a reduction of £7.5 m. The outstanding amount due to general creditors increased by £1.3 million during the year.

21.2 Short Term Loans

The short-term loan of £1,147,139 at 31 March 2023 is the element of the principal repayment required on loans in 2023/24 (£1,135,676 at 31 March 2022 for repayment in 2022/23). Further details of the loans outstanding can be found in note 43.2.

22 Impairments

The Council has provided for a provision for the non-payment of debt owed to the Council, also referred to as Impairments, see note 18 for an analysis, by the debtor type and the net amount owed after impairment.

23. Usable Reserves

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to Council Taxpayers. Such funds are not held for any specific purpose but are available to assist with the management of financial risks and to deal with any emergencies that might arise. The Medium-Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 8.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment.
- Government grants and other contributions are accounted for on an accrual's basis and recognised in the CIES (as detailed in Note 33) when the conditions for their receipt have been satisfied and there is reasonable assurance that the grant or contribution will be received. Capital Grants Unapplied holds the balance of grants received where the conditions have been met but the expenditure has not yet been incurred. Any grants received in advance of conditions being satisfied are held as Capital Grant Receipts in Advance until the conditions are satisfied and the grant can then be recognised in the CIES. Elmbridge currently does not have any Capital Grant Receipts in Advance.

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

2021/22		2022/23
£'000		£'000
4,000	General Fund	4,000
38,319	Earmarked Reserves (Including CIL)	42,483
12,700	Collection Fund Support (Government Grants)	733
18,538	Capital Receipts Reserve	19,362
21,687	Capital Grants Unapplied	22,705
95,244	Total Usable Reserves	89,283

The main reason for the decrease in Earmarked Reserves relates to funding received from government in relation to the Collection Fund (Business Rates and Council Tax), which will be used to mitigate the technical deficits caused by the governments accounting requirements.

24. Unusable Reserves

24.1 Analysis of Unusable Reserves

2021/22		2022/23
£'000		£'000
64,826	Revaluation Reserve	72,724
82,914	Capital Adjustment Account	77,134
(61,891)	Pensions Reserve	(16,258)
1,174	Deferred Capital Receipts Reserve	930
(8,868)	Collection Fund Adjustment Account	648
78,155	Total Unusable Reserves	135,178

24.2 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

2021/22		2022/23
£'000		£'000
48,452	Balance at 1 April	64,826
19,570	Upward revaluation of assets	24,615
(1,829)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(15,330)
17,741	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	9,285
(1,217)	Difference between fair value depreciation and historical cost depreciation	(1,387)
(150)	Accumulated gains on assets sold or scrapped	-
(1,367)	Amount written off to the Capital Adjustment Account	(1,387)
64,826	Balance at 31 March	72,724

24.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22		2022/23
£'000		£'000
76,072	Balance at 1 April	82,914
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,688)	Charges for depreciation and impairment of non current assets	(3,761)
(798)	Revaluation losses on Property, Plant and Equipment	(543)
(166)	Amortisation of intangible assets	(182)
(2,876)	Revenue expenditure funded from capital under statute	(3,740)
(158)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
68,386		74,688
1,367	Adjusting amounts written out of the Revaluation Reserve	1,387
69,753	Net written out amount of the cost of non-current assets consumed in the year	76,075
	Capital financing applied in the year:	
405	Use of the Capital Receipts Reserve to finance new capital expenditure	513
1,224	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,021
2,280	Application of grants to capital financing from the Capital Grants Unapplied Account	5,676
1,590	Statutory provision for the financing of capital investment charged against the General Fund	1,607
404	Capital expenditure charged against the General Fund Balance	85
5,903		9,902
7,258	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,843)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
82,914	Balance at 31 March	77,134

24.4 Pensions Reserve

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

2021/22		2022/23
£'000		£'000
(77,303)	Balance at 1 April	(61,891)
19,010	Remeasurement of the net defined benefit liability	48,667
(5,754)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,158)
2,156	Employer's pensions contributions and direct payments to pensioners payable in the year	2,124
(61,891)	Balance at 31 March	(16,258)

24.5 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2021/22		2022/23
£'000		£'000
1,363	Balance at 1 April	1,174
18	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(38)
(207)	Transfer to the Capital Receipts Reserve upon receipt of cash	(206)
1,174	Balance at 31 March	930

During 2020/21 the Council provided Catalyst Housing Limited with £196,488 to provide mortgages to purchase property from the private sector. No new loans were issued in 2022/23. These funds are secured by a charge against the property and will be repaid to the Council when the loan is redeemed with Catalyst Housing Limited. During 2022/23, 5 loans were repaid with drop in value varying between -3% and -14%. Due to continued decline in annual house prices during 2022/23 a decrease of 2% has been applied to outstanding loans, resulting in a decrease in value of £18,985 which has been debited as part of the loss on disposal to the CIES.

24.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the CIES as it falls due from Council Taxpayers and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22 £'000		2022/23 £'000
(20,716)	Balance at 1 April	(8,868)
11,848	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements*	9,516
(8,868)	Balance at 31 March	648

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2021/22 £'000		2022/23 £'000
(754)	Interest received	(1,463)
1,327	Interest paid	1,313
573	Net cash (inflow)/outflow	(150)

25.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2021/22 £'000		2022/23 £'000
(3,688)	Depreciation	(3,761)
(798)	Impairment and downward revaluations	(543)
(166)	Amortisation	(182)
(11)	Impairment - provision for bad debts	(268)
(1,980)	Creditors	6,913
(5,830)	Debtors	(2,901)
20	Inventories	3
(5,193)	Pensions liability	(4,628)
(159)	Carrying amount of non-current assets sold	-
8,965	Other non-cash items charged	(11,104)
(8,840)	Adjustments for non-cash movements	(16,471)

25.2 Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2021/22		2022/23
£'000		£'000
173	Proceeds from sale of property, plant & equipment, investment properties & intangibles	924
735	Proceeds from sale of former council houses	1,444
207	Proceeds from non-sale transactions	207
7,244	Capital grants receivable	8,715
8,359	Adjustments for items which are investing and financing activities	11,290

26. Cash Flow Statement – Investing Activities

2021/22		2022/23
£'000		£'000
1,485	Purchase of property, plant and equipment, investment property and intangible assets	4,550
26,000	Purchase of short and long-term investments	-
2,894	Other payments for investing activities	3,740
(173)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(924)
-	Proceeds from short-term and long-term investments	(1,400)
(7,512)	Other receipts from investing activities	(11,845)
22,694	Net cash outflow from investing activities	(5,879)

27. Cash Flow Statement – Financing Activities

2021/22		2022/23
£'000		£'000
-	Cash receipts of short and long-term borrowing	-
(13,448)	Other receipts from financing activities	(432)
1,125	Repayments of short- and long-term borrowing	1,136
-	Other payments for financing activities	-
(12,323)	Net cash (inflow)/outflow from financing activities	704

28. Expenditure and Funding Analysis (including Analysis by Nature)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government Grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES. The note to the Expenditure and Funding Analysis breaks down the adjustments into adjustments for capital purposes, pensions adjustments and other differences.

2021/22					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Climate Change	91	-	91	31	122
Community Care	3,485	5	3,490	959	4,449
Enterprise & Local Economy	(1,407)	(1)	(1,408)	439	(969)
Environmental Services	5,308	53	5,361	156	5,517
Finance and Resources	4,679	(1,556)	3,123	(1,387)	1,736
Housing	2,827	38	2,865	1,792	4,657
Leisure and Culture	5,175	10	5,185	677	5,862
Planning and Environmental Health	3,524	(1,865)	1,659	1,202	2,861
Policy and Transformation	2,732	26	2,758	149	2,907
Covid Expenditure	2,302	236	2,538	24	2,562
Net Cost of Services	28,716	(3,054)	25,662	4,042	29,704
Covid grants	(2,881)	-	(2,881)	-	(2,881)
Other income and expenditure	(14,493)	3,054	(11,439)	(22,907)	(34,346)
(Surplus) or Deficit	11,342	-	11,342	(18,865)	(7,523)
Opening General Fund Balance			66,361		
Surplus/(Deficit) on General Fund Balance in Year			(11,342)		
Closing General Fund Balance at 31 March 2022			55,019		

2022/23					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Climate Change	166	-	166	23	189
Community Care	3,471	(1)	3,470	949	4,419
Enterprise and Local Economy	(1,912)	7	(1,905)	45	(1,860)
Environmental Services	4,535	32	4,567	98	4,665
Finance and Resources	1,719	(96)	1,623	289	1,912
Housing	2,497	(18)	2,479	1,685	4,164
Leisure and Culture	5,110	34	5,144	1,058	6,202
Planning and Environmental Health	3,559	2,084	5,643	(1,998)	3,645
Policy and Transformation	2,790	26	2,816	175	2,991
Covid Expenditure	144	266	410	11	421
Net Cost of Services	22,079	2,334	24,413	2,335	26,748
Other income and expenditure	(14,276)	(2,334)	(16,610)	(3,248)	(19,858)
(Surplus) or Deficit	7,803	-	7,803	(913)	6,890
Opening General Fund Balance			55,019		
Surplus/(Deficit) on General Fund Balance in Year			(7,803)		
Closing General Fund Balance at 31 March 2023			47,216		

2021/22				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£'000	£'000	£'000	£'000
Climate Change	-	(31)	-	(31)
Community Care	15	(974)	-	(959)
Enterprise & Local Economy	(330)	(109)	-	(439)
Environmental Services	-	(156)	-	(156)
Finance and Resources	1,168	219	-	1,387
Housing	(1,158)	(651)	17	(1,792)
Leisure and Culture	(119)	(558)	-	(677)
Planning and Environmental Health	-	(1,202)	-	(1,202)
Policy and Transformation	(37)	(112)	-	(149)
Covid Expenditure	-	(24)	-	(24)
Net Cost of Services	(461)	(3,598)	17	(4,042)
Other income and expenditure	11,057	-	11,850	22,907
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	10,596	(3,598)	11,867	18,865

2022/23				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£'000	£'000	£'000	£'000
Climate Change	-	(23)	-	(23)
Community Care	(126)	(823)	-	(949)
Enterprise and Local Economy	(6)	(39)	-	(45)
Environmental Services	(55)	(43)	-	(98)
Finance and Resources	(223)	(66)	-	(289)
Housing	(1,072)	(574)	(39)	(1,685)
Leisure and Culture	(629)	(429)	-	(1,058)
Planning and Environmental Health	2,923	(925)	-	1,998
Policy and Transformation	(74)	(101)	-	(175)
Covid Expenditure	-	(11)	-	(11)
Net Cost of Services	738	(3,034)	(39)	(2,335)
Other income and expenditure	(6,269)	-	9,517	3,248
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(5,531)	(3,034)	9,478	913

Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed by type

2021/22		2022/23
£'000		£'000
20,799	Employees and Associated Costs	20,965
271	Depreciation and Impairment of Fixed Assets	17,069
6,094	Interest and Investment Expenses	7,161
30,632	Housing Benefit Payments	28,519
25,931	Business Rates Tariff	23,493
29,977	Other Service Expenses	23,890
113,704	Total Expenditure	121,097
(13,344)	Fees, Charges and Other Income	(15,715)
(29,813)	Reimbursement from Government for Housing Benefits	(28,153)
(4,721)	Community Infrastructure Levy	(3,817)
(34,854)	Other Grants and Contributions	(21,593)
(7,639)	Interest and Investment Income	(10,789)
(7,471)	Gains in Investment Property Fair Values	(2,333)
(23,385)	Income from Council Tax and Non-Domestic Rates	(31,807)
(121,227)	Total Income	(114,207)
(7,523)	Deficit/(Surplus) on Provision of Services	6,890

29. Agency Services

The Council provided on-street car parking management during 2022/23. The services for highway grass-cutting and highway weed treatment services to Surrey County Council ceased on the 31 March 2022. The total net surplus of the work performed on an agency basis is £25,952 (2021/22 net surplus £15,031).

The on-street car parking management service for Surrey County Council ceased on the 31 March 2023.

30. Members' Allowances

Each Member of the Council receives a fixed (basic) allowance; in addition, a special responsibility allowance is paid to the Leader of the Council, Members of the Cabinet, the Chairmen and Vice Chairmen of committees, and to the leaders of political groups.

Payments to all Members of the Council in 2022/23 amounted to £368,672 of which £357 were made relating to expenses. (2021/22 - £359,757).

The allowances were frozen in 2022/23 by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances for 2021/22.

31. Officers' Emoluments

The Accounts and Audit Regulations 1996 introduced a specific requirement for the disclosure of officers' emoluments. This information must be in a form, which shows the number of employees whose total remuneration for the year fell in each band of a scale in multiples of £5,000, starting at £50,000 as detailed below. This sum includes benefits in respect of items relating to the provision of cars and other allowances but does not include employer's pension contributions and electoral fees.

2021/22	Band	2022/23
11	£50,000 - £54,999	25
10	£55,000 - £59,999	11
7	£60,000 - £64,999	10
2	£65,000 - £69,999	4
2	£70,000 - £74,999	2
-	£75,000 - £79,999	-
1	£80,000 - £84,999	-
5	£85,000 - £89,999	3
1	£90,000 - £94,999	5
1	£95,000 - £99,999	1
-	£100,000 - £104,999	2
-	£105,000 - £109,999	-
1	£110,000 - £114,999	-
-	£115,000 - £119,999	-
-	£120,000 - £124,999	1
1	£125,000 - £129,999	-
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
-	£140,000 - £144,999	1
-	£145,000 - £149,999	-
1	£150,000 - £154,999	-

The cost of employee remuneration and benefit expenses (excluding employer's superannuation and National insurance costs) for 2022/23 was £14 million (£13.5 million in 2021/22).

In addition, the regulations require a full breakdown of the remuneration of senior officers of the Council (these officers are included in table above).

Disclosure of remuneration for senior employees

2022/23 Elmbridge Borough Council

Post Holder Information	Salary	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2022/23
	£	£	£	£	£	£	£	£	£
Chief Executive (Head of Paid Service) #	97,517.06	-	-	5,617.71	-	692.51	103,827.28	16,675.38	120,502.66
Strategic Director & Deputy Chief Executive (S151 Officer) ##	131,442.23	1,500.00	-	7,464.00	-	2,276.22	142,682.45	22,566.81	165,249.26
Strategic Director – Services	113,550.00	6,002.00	-	7,464.00	-	-	127,016.00	19,417.08	146,433.08
Head of Legal Services (Monitoring Officer)	85,260.13	750.00	-	6,590.33	-	-	92,600.46	14,134.20	106,734.66
	427,769.42	8,252.00	-	27,136.04	-	2,968.73	466,126.19	72,793.47	538,919.66

53

2021/22 Elmbridge Borough Council

Post Holder Information	Salary	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2021/22
Chief Executive (Head of Paid Service)	145,220.04	11,662.00	-	6,972.00	-	150.00	164,004.04	24,858.33	188,862.37
Strategic Director & Deputy Chief Executive (S151 Officer)	119,730.96	2,500.00	-	6,972.00	-	2,111.29	131,314.25	20,474.04	151,788.29
Strategic Director - Services	106,058.04	2,500.00	-	6,972.00	-	-	115,530.04	18,135.96	133,666.00
Head of Legal Services (Monitoring Officer) **	31,836.26	-	-	-	-	-	31,836.26	4,819.83	36,656.09
	402,845.30	16,662.00	-	20,916.00	-	2,261.29	442,684.59	68,288.16	510,972.75

Chief Executive part year July to March

Includes acting up allowance for April to June to Chief Executive

* Election fees for the Returning Officer are set by the Ministry of Justice

** Elmbridge also shared a Monitoring Officer with Surrey Heath for a year from December 20 until the end of November 21 at a cost in 2021/22 of £26,906.

32. External Audit Costs

In 2022/23 Elmbridge Borough Council, incurred a total of £82,613 in fees relating to external audit and inspection of this £65,613 was the statutory fee and £17,000 was non-statutory (Statutory £62,962 and non-statutory £17,000– 2021/22). The main reason for the increase is due to additional work being for regulatory requirements from the Financial Reporting Council.

33. Grant Income

The Council credited the following grants and contributions to the CIES in 2022/23.

2021/22 £'000		2022/23 £'000
	Credited to Taxation and Non Specific Grant Income	
(2,625)	Capital Grants	(3,139)
(32,046)	EBC Proportion of total business rate collectable for the year	(27,418)
(243)	Collection Fund (Surplus)/Deficit Account	(89)
(14,972)	Precept Collection Fund	(15,545)
(462)	New Homes Bonus	(1,028)
(2,881)	Covid Related	-
(99)	Other Grants	(268)
(53,328)	Totals	(47,487)
	Credited to Services	
(29,813)	Housing Benefit Subsidy	(28,108)
(447)	Flexible Homelessness Grant	(520)
(182)	NDR Cost of Collection	(181)
-	Refugees	(1,952)
(715)	Covid Related	(29)
(678)	Other Grants	(816)
(31,835)	Total	(31,606)

More details on the Council Tax and Non-Domestic Rates can be found in the Collection Fund Income and Expenditure Account.

34. Related Party Transactions

The Code of Practice for Local Authority Accounting requires the disclosure of any material transactions with related parties which are not disclosed elsewhere. Examples of related parties to an authority such as Elmbridge Borough Council would include central government, other local authorities and precepting bodies, joint ventures and joint venture partners, together with the Council's Members and Chief Officers. Comparatives are shown where there was a payment in the year, to aid the reader, a full list of transactions can be found in the 2021/22 accounts for the related transaction payments for that year.

Several Members are connected with local organisations, with whom the Council has dealings. Material transactions are either material to the Council or of materiality to the third party concerned. In addition, they need to be able to exercise control or a significant influence on either party.

2021/22		2022/23
£		£
115,313	Citizens Advice Elmbridge (West)	159,913
19,052	Walton Charity	111,354
84,970	Esher & District CAB	100,970
-	EBC Homes Ltd (additional loan advance)	100,000
92,987	Elmbridge Building Control Services Ltd	92,987
23,390	CHEER	46,680
44,407	Central Surrey Voluntary Action	38,840
43,230	Claygate Recreation Ground Trust	37,658
37,480	Chatterbus CIO	31,379
90	Lower Green Community CIO	29,120
23,650	Rental Support Scheme	27,100
20,000	Walton-on-Thames Community Arts Trust	26,203
8,970	Relate West Surrey	8,970
3,090	Home Support Elmbridge	3,090
1,105	Weybridge In Bloom	1,105
(125,838)	EBC Homes Ltd - Charge for Professional Services	(87,677)

Under the Council's corporate governance arrangements, Members are required to declare any interests, personal or prejudicial (or both) on agenda items before meetings of the Council including the Cabinet, committees and sub-committees commence, and any such declarations appear in the minutes.

The Council maintains a register of Members' and officers' interests, which is updated annually.

The appropriate analysis has been undertaken with regard to related party transactions, for the year ended 31 March 2023, and the conclusion was reached that there were no other material transactions with related parties in that year, which are not disclosed elsewhere in this Statement of Accounts.

Building Control Mutual

On 1 August 2015, the Council established a Building Control mutual in which it owns 20%. The mutual is a going concern and the council will receive a share of profit in accordance with the transfer agreement.

At the time of issuing the 2022/23 accounts no accounts have been prepared by the mutual, in 2021/22 it made a loss of £87,074 (after tax).

At 31 March 2022, the mutual had a net current liability of £543,940 represented by negative shareholder funds of £543,940.

The figures will be updated when a set of accounts have been completed.

Housing Company

During 2018/19 the Council established a wholly owned company 'EBC Investments', and a subsidiary, 'EBC Homes'. EBC Homes started trading on 7 January 2019, a loan for working capital purposes of £150,000 was made from the Council to EBC Homes, at a rate of 5%. During 2022/23 an additional loan of £100,000 was advanced on the same terms. The first accounts of the company covered a 15-month period to 31 March 2021. At 31 March 2023 EBC Homes have not prepared their account, based on the management account to the 31 March 2023:

	2022/23 £	2021/22 £
Total Income from Rents	453,000	400,000
Cost of Sales	409,000	313,000
Other Costs	133,000	136,000
Loss	(89,000)	(49,000)

At the 31 March 2022 based on the management account EBC Homes had Total Liabilities exceeding Assets of £234,000, representing the overall accumulated loss.

At the 1 April 2022 there were 6 Officers acting as Directors of EBC Investments or EBC Homes for no financial gain or reward, one officer has resigned from the Council and as a Director of EBC Investment.

EBC Homes has an independent non-executive director who receives £5,000 per annum.

Trust Funds

The Council administers two Trust Funds', the total value at 31 March 2023 is £46,974 (£50,519 – 31 March 2022).

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below:

2021/22	2022/23
£'000	£'000
67,037	65,446
Opening Capital Financing Requirement	
Capital investment	
1,244	4,390
-	43
192	122
Property, Plant and Equipment	
- Investment Properties	
192	122
Intangible Assets	
2,876	3,740
Revenue Expenditure Funded from Capital under Statute	
Sources of finance	
(405)	(513)
Capital Receipts	
(3,504)	(7,697)
Government Grants and Other Contributions	
Sums set aside from revenue:	
(404)	(85)
Direct revenue contributions	
(1,590)	(1,607)
MRP/loans fund principal	
65,446	63,839
Closing Capital Financing Requirement	
Explanation of movements in year	
(1,591)	(1,607)
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	
(1,591)	(1,607)
Increase/(decrease) in Capital Financing Requirement	

36. Leases

The Council as Lessee

Finance Leases

The Council has no material finance leases.

The Council as Lessor

Operating Leases

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

- for the provision of community services such as sporting facilities; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

2021/22		2022/23
£'000		£'000
733	Not later than one year	616
1,681	Later than one year and not later than five years	1,946
2,637	Later than five years	2,694
5,051		5,256

The 2022/23 movement of £205,000 is mainly due to two new leases at one of our operational properties.

37. Impairment Losses

During both 2022/23 and 2021/22 the Council had no impairment losses.

Under regulation impairment losses have no effect on the Council Taxpayer.

38. Termination Benefits

The Council terminated 1 officers contract in 2022/23, incurring £2,248 of liabilities (£37,894 in 2021/22 for 3 officers). There were no savings as a result of this termination (£31,000 savings per annum for the 2021/22 exits). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

Number of Employees 2021/22	Termination Benefit	Number of Employees 2022/23
2	£0 - £20,000	1
1	£20,001 - £40,000	-
-	£40,001 - £60,000	-
-	£60,001 - £80,000	-
-	£80,001 - £100,000	-
-	£100,001 - £120,000	-
-	£120,001 - £140,000	-
-	£140,001 - £160,000	-

There were commitments relating to termination benefits of £48,050 at 31 March 2023 (nil at 31 March 2022).

39. Provisions

	MMI	Business Rate	Total
	£'000	Appeals	£'000
		£'000	
Balance at 1 April 2022	52	3,784	3,836
Additional provisions made	-	-	-
Amounts used	-	(1,184)	(1,184)
Unused amounts reversed	-	(296)	(296)
Balance at 31 March 2023	52	2,304	2,356

MMI

In 1991 the Council's Insurer Municipal Mutual Insurance (MMI) went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in settling outstanding court cases. The Council were informed that it was unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Council's maximum liability, should there be an insolvent run off, was £389,000. A full provision was made during 2011/12 to cover the maximum liability until an actuarial review of the company is completed. The Council received an actuarial review in 2013 and based on the advice at this time only £150,000 was required to meet the Council's liability. During 2013/14, £59,000 was paid to MMI in respect of this provision; an additional £39,000 was paid in 2016/17. At this time the final settlement remains uncertain.

Business Rate Appeals

The provision represents the potential reduction in the amount of business rates as a result of alterations of Rateable Value from appeals and future appeals. If the Valuation Office re-assess the rateable value as a result of an appeal, the Council will reimburse the property owner for any overpayment, backdated to the date of the original assessment.

The main reason for the reduction in the provision for appeals is a number of large properties 2010 appeals were settled in 2022/23.

A new valuation has been completed with an effective date of 1 April 2023, while no allowance for appeals has been provided at 31 March 2023, there remains uncertainty over the level of appeals, especially with some appeals against the 2010 list only having been concluded in 2022/23.

40. Defined Benefit Pension Scheme

40.1 Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council. This is a funded defined benefit final salary scheme (from 2014 this was based on career average), meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

The disclosures below reflect changes implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest and administration costs in relation to current service costs and administration costs directly related to the management of plan assets.

40.2 Transactions Relating to Post-Employment Benefits

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

The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

2021/22 £'000		2022/23 £'000	£'000
	<u>Comprehensive Income and Expenditure Statement</u>		
	Cost of Services		
5,831	Current service cost	5,085	
-	- Past service costs	-	
-	- (Gain)/loss from settlements	-	5,085
	Financing and Investment Income and Expenditure		
1,518	Net interest expense		1,667
7,349	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services		6,752
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
	Actuarial gains and losses		
	Remeasurement of the net defined benefit liability comprising:		
(5,587)	• Return on plan assets (excluding the amount included in the net interest expense)		5,017
(952)	• Actuarial (gains) and losses arising on changes in demographic assumptions		(3,386)
(12,845)	• Actuarial (gains) and losses arising on changes in financial assumptions		(61,316)
374	• Other		11,018
(19,010)			(48,667)
(11,661)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		(41,915)
	<u>Movement In Reserves Statement</u>		
13,817	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code		44,039
2,156	Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme		2,124

40.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

2021/22		2022/23
£'000		£'000
(182,447)	Present value of funded liabilities	(136,112)
(3,153)	Present value of unfunded liabilities	(2,733)
(185,600)	Present value funded and unfunded liabilities	(138,845)
125,303	Fair value of plan assets	122,587
(60,297)	Net liability arising from the defined benefit obligation	(16,258)

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

2021/22		2022/23
£'000		£'000
119,923	Opening fair value of scheme assets	125,303
2,371	Interest income	3,345
	Remeasurement gains / (loss):	
5,587	• Return on plan assets, excluding the amount included in the net interest expense	(5,017)
-	• Other	1,610
1,898	Contributions from employer (see note below)	1,858
815	Contributions from employees into the scheme	775
(5,291)	Benefits paid	(5,287)
125,303	Closing balance at 31 March	122,587

Note that the contribution from the employer to the pension scheme in 2020/21 included an advanced payment for secondary contributions for 2022/23 of £1,594,000. The Council has charged £1,594,000 of this payment to the Council revenue account in 2022/23 in accordance with proper accounting requirements.

Reconciliation of Present Value of the Scheme Liabilities

2021/22		2022/23
£'000		£'000
194,037	Opening balance at 1 April	185,600
5,831	Current service cost	5,085
-	Past service cost (including curtailments)	-
3,889	Interest cost	5,012
815	Contributions by scheme participants	775
	Remeasurement gains / losses:	
(952)	• Actuarial gains / (losses) arising from changes in demographic assumptions	(61,316)
(12,845)	• Actuarial gains / (losses) arising from changes in financial assumptions	(3,386)
374	• Other	12,628
(5,549)	Benefits paid	(5,553)
185,600	Closing balance at 31 March	138,845

Local Government Pension Scheme assets comprised:

Fair value of scheme assets		
2021/22		2022/23
£'000		£'000
3,153	Cash and cash equivalents	2,567
	Equity instruments by industry type:	
2,192	• Consumer	1,925
1,748	• Manufacturing	1,607
388	• Energy & utilities	616
1,454	• Financial institutions	2,180
1,497	• Health & care	1,907
3,921	• Information technology	2,700
<u>11,200</u>	Sub-total equity	<u>10,935</u>
	Bonds by sector:	
4,171	• Government	-
<u>4,171</u>	Sub-total bonds	<u>-</u>
	Property by type:	
4,999	• UK property	4,508
2,671	• Overseas property	2,879
<u>7,670</u>	Sub-total property	<u>7,387</u>
12,314	Private equity *	17,360
	Other investment funds:	
73,578	• Equities	71,392
13,724	• Bonds	13,273
<u>87,302</u>	Sub-total other investment funds	<u>84,665</u>
	Derivatives:	
(507)	• Foreign exchange	(327)
<u>(507)</u>	Sub-total derivatives	<u>(327)</u>
<u>125,303</u>	Total assets	<u>122,587</u>

* The private equity investments do not have quoted prices in active markets.

40.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

2021/22		2022/23
	Long-term expected rate of return on assets in the scheme:	
2.7%	Equity investments	4.8%
2.7%	Bonds	4.8%
2.7%	Property	4.8%
2.7%	Cash	4.8%
	Mortality assumptions:	
	Longevity at 65 for current pensioners (years):	
22.1	• Men	22.0
24.5	• Women	24.6
	Longevity at 65 for future pensioners (years):	
23.1	• Men	23.1
26.2	• Women	26.2
3.2%	Pension Increase Rate (CPI)	3.0%
4.1%	Rate of increase in salaries	4.0%
3.2%	Rate of increase in pensions	3.0%
2.7%	Rate for discounting scheme liabilities	4.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below is consistent with that adopted in the previous year.

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption	
	%	£'000
Longevity (increase of 1 year)	4	5,554
Rate of inflation (CPI increase by 0.1%)	1	1,989
Rate of increase in salaries (increase by 0.1%)	0	183
Rate of increase in pensions (increase by 0.1%)	1	1,989
Rate for discounting scheme liabilities (decrease by 0.1%)	2	2,141

The Council's share of the deficit on the Surrey Pension Fund continued to reduce the Council's net asset position. Elmbridge's Balance Sheet shows a Pensions liability of £16 million, a decrease of £44 million. The main change in the accounting valuation of the fund compared to 31 March 2022 relates to a gain on the change in financial assumptions £61m. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by the accounting standards, and future anticipated funding shows that the fund is approaching fully funded status over the next 16 years.

40.5 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. A valuation was carried out at 31 March 2022, the next triennial valuation is due to be completed as at 31 March 2025.

The actuary anticipates the authority's expected contributions to the scheme in 2023/24 will be £3,649,000 based on the triennial actuarial review at 31 March 2022, (2022/23 - £1,893,000). The main reason for the increase is the Council is not making a prepayment for 2023/24. The 2022/23 figure of £1,893,000 is reduced by the £1,594,000 prepayment made in 2020/21 for 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 16 years in 2023/24 (19 years in 2022/23).

Further information can be found within the Surrey County Council Superannuation Fund Annual Report, which is available upon request from Surrey County Council, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

41. Contingent Liabilities

As part of the large-scale voluntary transfer agreement between the Council and the Elmbridge Housing Trust (now Paragon Asra) the Council provided an environmental warranty with an aggregate cap of £10 million for a period of 30 years. There was no local knowledge of serious problems in this regard, and after taking professional advice from the Council's specialist insurance consultant and considering the likely costs of a full survey and insurance cover, the Council decided not to effect insurance cover in respect of this risk. The warranty was subsequent to a full disclosure being made by the Council of all known environmental issues concerning the housing stock and related assets. No claims against the warranty have been made at the date of the issue of the accounts.

On 1 August 2015 the Council established a Building Control Mutual. As part of the agreement establishing the mutual the Council provided a guarantee in relation to the pension deficit at the date of the transfer. The liability will only materialise if the Mutual ceases to trade. The cost of the guarantee is approximately £0.7million.

42. Contingent Assets

There are no contingent assets.

43. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. Elmbridge Borough Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

43.1 Credit Risk

Credit risk arises from deposits with banks and other financial institutions, and in addition credit exposures to the Council's own customers. The Council's risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors, applying the lowest available rating for any institution. The Annual Investment Strategy also imposes maximum limits on the time period and amount that can be placed by investment category and institution. For further information please refer to Appendix B of the 2022/23 Treasury Management Strategy papers presented to 9 February 2022 Cabinet.

A summary of the credit quality of the Council's investments at 31 March 2023 is shown below:

2021/22 £'000	Fitch Rating	2022/23 £'000
-	AAA	-
-	AA+	-
-	AA	-
42,000	AA-	25,000
10,778	A+	16,586
10,000	A	15,000
10,000	A-	25,000
-	BBB+	-
5,000	BBB	-
24,150	n/a	21,750
101,928		103,336

The Council's loans receivable are all fixed term investments and hence classified at 'Amortised cost'. An expected credit loss model, applied to determine the estimated loss allowance that might be required from holdings of investments, has shown the amount to be immaterial.

Customer Debt - Credit exposures to customer debt are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In relation to its customers, the Council has a prudent provision for bad debts to cover cases of default. There are no debts posing a credit risk to the Council at the balance sheet date, which are not covered by the provision for bad debts.

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. £4.0 million of the £5.0 million balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

2021/22		2022/23	
£'000		£'000	%
498	Less than three months	496	13%
1,278	Three to six months	535	13%
782	Six months to one year	1,866	47%
775	More than one year	1,069	27%
3,333		3,966	100%

43.2 Liquidity Risk

The Council undertakes daily cash flow management to ensure that it has adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have sufficient funds to meet its liabilities as they become due.

At 31 March 2023, the Council has external borrowing with the Public Works Loan Board (PWLB) of £52,429,722 with a maturity analysis as follows:

2021/22		2022/23	
£'000		£'000	
Short term loans			
1,136	Less than one year	1,147	
1,136		1,147	
Long term loans			
1,147	Between one and two years	1,159	
3,513	Between two and five years	3,336	
9,635	Between five and fifteen years	9,394	
38,135	More than fifteen years	37,394	
52,430		51,283	
53,566		52,430	

The fair value of PWLB loans of £37.4 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, based on the authority's ability to borrow from PWLB at concessionary rates. The difference between the carrying amount and the fair value measures the decreased interest (based on economic conditions at 31 March 2023) that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that which would be paid if the loans were at prevailing market rates.

The exit price for the PWLB loans, including the net discount, would be £43.2 million.

All trade and other payables are due to be paid in less than one year.

43.3 Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have an impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowing at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services, or Other Comprehensive Income and Expenditure.

However, changes in interest receivable on variable rate investments would be posted to Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the Council against changes in the interest income generated on its surplus funds due to changes in market conditions; at the 31 March 2023 the balance on this reserve was £1.0 million.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been an additional £1,140,000 being credited to the Surplus or Deficit on the Provision of Services.

43.4 Price Risk

The Council does not hold any investments in equity shares and therefore is not exposed to potential losses arising from movements in share prices.

43.5 Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rate.

Collection Fund Income and Expenditure Account

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

2021/22				2022/23		
Business Rates £'000	Council Tax £'000	Total £'000	Note	Business Rates £'000	Council Tax £'000	Total £'000
-	135,794	135,794		-	143,120	143,120
48,324	-	48,324	2	53,629	-	53,629
164	-	164	3	(279)	-	(279)
48,488	135,794	184,282		53,350	143,120	196,470
(16,504)	-	(16,504)		(11,488)	-	(11,488)
(13,203)	(147)	(13,350)		(9,190)	155	(9,035)
(3,301)	(981)	(4,282)		(2,297)	1,036	(1,261)
-	(176)	(176)			192	192
(33,008)	(1,304)	(34,312)		(22,975)	1,383	(21,592)
32,008	-	32,008		27,774	-	27,774
25,606	14,972	40,578		22,235	15,545	37,780
6,402	99,944	106,346		5,555	106,641	112,196
-	18,424	18,424			19,380	19,380
64,016	133,340	197,356		55,564	141,566	197,130
-	293	293			387	387
110	10	120		324	340	664
(885)	-	(885)		(2,959)	-	(2,959)
(10,573)	-	(10,573)		(739)	-	(739)
182	-	182		181	-	181
(11,166)	303	(10,863)		(3,193)	727	(2,466)
19,842	132,339	152,181		29,396	143,676	173,072
(28,646)	(3,456)	(32,102)		(23,954)	556	(23,398)
51,193	2,119	53,312		22,547	(1,337)	21,210
22,547	(1,337)	21,210		(1,407)	(781)	(2,188)

Notes to the Collection Fund Income and Expenditure Account

1. Business Rates Retention Scheme

The method for distributing and accounting for Non-Domestic Rates changed on 1 April 2013 with the introduction of the Business Rates Retention Scheme.

The Council collects business rates in its area based on local rateable values multiplied by a uniform rate prescribed by Central Government. The scheme allows local authorities to benefit from supporting local business growth by retaining a proportion of increases in business rates retained income above a baseline funding level, to invest in local services, subject to a Central Government growth levy. Safety net arrangements have also been established to compensate those authorities where retained income falls below a certain threshold.

Revenue growth under the new scheme is shared between Central Government, Elmbridge and Surrey County in the ratio 50:40:10. The 40% share of growth accruing to Elmbridge is then subject to a Central Government levy applied at a rate of 50%, so that in practice Elmbridge is permitted to retain 20% of any business rates growth of its share of retained income above its 2022/23 baseline funding level of £2.3 million (2021/22 £2.3 million). The baseline funding level rises each year in line with the change in the business rates multiplier.

2. Council Tax Receivable

For Council Tax purposes all domestic properties are placed in one of eight valuation bands at 1991 prices, the bands ranging from A to H. The Council set a 2022/23 Council Tax charge for Band D properties of £2,172.41 within the Claygate Parish Area and £2,158.26 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with Council Tax costs under the local Council Tax Reduction scheme administered by Elmbridge Borough Council and substantially financed by central government.

The Council Tax base for the year for the Elmbridge Borough Council area, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts & Reliefs	Ratio	Band D Equivalent Dwellings
A	326	6/9	217
B	971	7/9	755
C	5,505	8/9	4,893
D	11,278	1	11,278
E	9,808	11/9	11,988
F	7,396	13/9	10,683
G	10,740	15/9	17,900
H	4,258	18/9	8,516
TOTAL	<u>50,282</u>		<u>66,230</u>
		Less: Adjustments *	(661)
		Council Tax Base	<u>65,569</u>

* An adjustment is made to reflect the estimated rate of collection of Council Tax for the year.

3. Business Rates Receivable

The total Non-Domestic Rateable Value for the Elmbridge area at 31 March 2023 was £153 million (£155 million in 2021/22), and the National Non-Domestic Rates multiplier 51.2p for 2022/23.

Glossary of Terms

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

Accounting Period

The length of time covered by the accounts, in the case of these accounts the year from 1 April 2021 to 31 March 2022.

Accrual

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

Actuarial Gains and Losses

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

Appropriations

The transfer of resources between various revenue reserves.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Budget

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

Budget Requirement

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

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services for more than one year.

Capital Financing Account

An account that is credited with the amounts set aside for the repayment of external debt and with capital expenditure paid for from revenue and capital receipts. The balance cannot be used to fund revenue or capital expenditure.

Capital Receipts

Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

Cash Equivalents

Generally short term, highly liquid investments readily convertible into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.

Collection Fund

A fund administered by the Council as a “billing authority”. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Elmbridge Borough Council, Surrey Police, Claygate Parish as required by statute.

Collection Fund Adjustment Account

An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council’s element of the Collection Fund balance at the year end.

Creditors

The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period with the actual payment being made in the next financial year.

Current Service Cost

The increase of the present value of a defined benefit schemes liabilities expected to arise from employee service in the accounting period.

Debtors

Amounts owed to the Council but unpaid at the Balance Sheet date.

Depreciation

The measure of the cost of the benefit of the fixed asset that have been consumed during the period.

Expected Rate of Return on Pensions Assets

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

Fees and Charges

The income raised by charging for goods, services or the use of facilities.

Fixed Asset

A tangible item that yields benefit to the Council for a period of more than one year.

Formula Grant

Central government financial support towards the general expenditure of local authorities.

General Fund

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

Intangible Assets

Expenditure on assets, such as software, which are amortised over their expected life but there is no physical asset.

Interest Cost – Pension Scheme

The expected increase over the period in the present value of the pension scheme liabilities because the benefits are one period closer to settlement.

LABGI – Local Authority Business Growth Incentive Grant

A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

Leasing

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

Minimum Revenue Provision

The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in addition to the minimum requirement, known as a voluntary provision for debt redemption.

Non-Domestic Rates

Rates from Non-Domestic properties, collected locally, are pooled nationally and redistributed from this pool to local authorities on the basis of population.

Precept

The amount that Surrey County Council, Surrey Police Authority, Elmbridge Borough Council and Claygate Parish Council require the Collection Fund to pay to meet the costs of their services after government grant.

Provisions

Amounts set aside to meet costs which are likely or certain to be incurred but are uncertain in value or timing.

Public Works Loans Board

A government body that provides loans to local authorities.

Reserves

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revenue Expenditure

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

Revenue Expenditure funded from Capital Resources Under Statute

Expenditure that can be classified as capital expenditure, but which does not result in the acquisition of an asset.

Specific Government Grants

Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.

Abbreviations

ABG	Area Based Grants
BSc	Bachelor of Science
CAA	Capital Adjustment Account
CAB	Citizens Advice Bureaux
CCTV	Closed Circuit Television
CIL	Community Infrastructure Levy
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
DRC	Depreciated Replacement Cost
ECIF	Elmbridge Civic Improvement Fund
EIP	Equal Instalments of Principal
EUV	Existing Use Value
FRS	Financial Reporting Standard
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standard
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee

LPSA	Local Public Service Agreement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDR	Non-Domestic Rates
PFI	Private Finance Initiative
PDG	Planning Delivery Grant
PPP	Public Private Partnership
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
SAC	Special Areas of Conservation
SANGS	Suitable Alternative Natural Green Space
SeRCOP	Service Reporting Code of Practice
SCC	Surrey County Council
SPA	Special Protection Areas
VAT	Value Added Tax
VFM	Value for Money
VOA	Valuation Office Agency

Annual Governance Statement 2022/2023



Contents

Scope of responsibility	3
Governance Framework	3
The purpose of the Governance Framework	3
The governance system at Elmbridge	4
Company governance	4
Arrangements for Governance	4
A - Behaving with integrity	5
B - Ensuring openness	6
C - Defining sustainable outcomes	6
D – Achieving intended outcomes	7
E – Developing Capacity	7
F – Managing Risks	7
G – Transparency and accountability	8
Review of Effectiveness	8
Outcomes, value for money and improvements during the year	10
Direction of travel	11
Conclusion and Certification	11
Conclusion	11
Certification	12

Introduction

This is the Annual Governance Statement for Elmbridge Borough Council for the year 2022/2023. This is a statutory document, which explains the processes and procedures in place to enable the council to carry out its functions effectively and provides a key record of the overall effectiveness of the governance arrangements within the authority.

The statement reflects the latest guidance from the Chartered Institute of Public Finance (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE) on a strategic approach to governance and demonstrates how key governance requirements have been met.

Scope of responsibility

Elmbridge 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 to:

- Make arrangements to secure continuous improvement in the way in which its functions are exercised;
- Put in place proper arrangements for the governance of its affairs; and
- Implement and maintain effective processes of internal control, including *appropriate arrangements to manage risks*.

Governance Framework

The purpose of the Governance Framework

The governance framework comprises the systems, processes, cultures and values which underpin how the Council is controlled and managed internally, and how it engages with taxpayers, service users and the wider 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 services and value for money.

The system of internal control is a significant part of that 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 governance system at Elmbridge

The Council operates a Leader and Cabinet system of governance. The Cabinet takes the executive decisions and must ensure that the Council's Plan and the Budget and Policy Framework as approved by the Council are delivered. The Council has an Overview & Scrutiny Committee in place to scrutinise the work of the Cabinet. The Council also has in place an Audit and Standards Committee which is tasked with reviewing and considering improvements to corporate governance in general and to consider specified cases of allegations of misconduct.

The Council has appointed statutory officers which includes the Head of Paid Service (Chief Executive), the Section 151 Officer (Strategic Director of Resources & Deputy Chief Executive) and the Monitoring Officer (Head of Legal & Governance). These three officers have had regular meetings to discuss governance, risk and reputational issues. This further demonstrates the commitment to ensuring effective corporate governance arrangements are in place.

Company governance

The Council operates two companies:

- EBC Homes Limited
- EBC Investments Limited

These companies operate with the objective of providing housing in the borough. As the 100% shareholder in these companies the Council receives information about their performance through the Shareholder Committee (Housing) which acts as the designated shareholder committee for the Council.

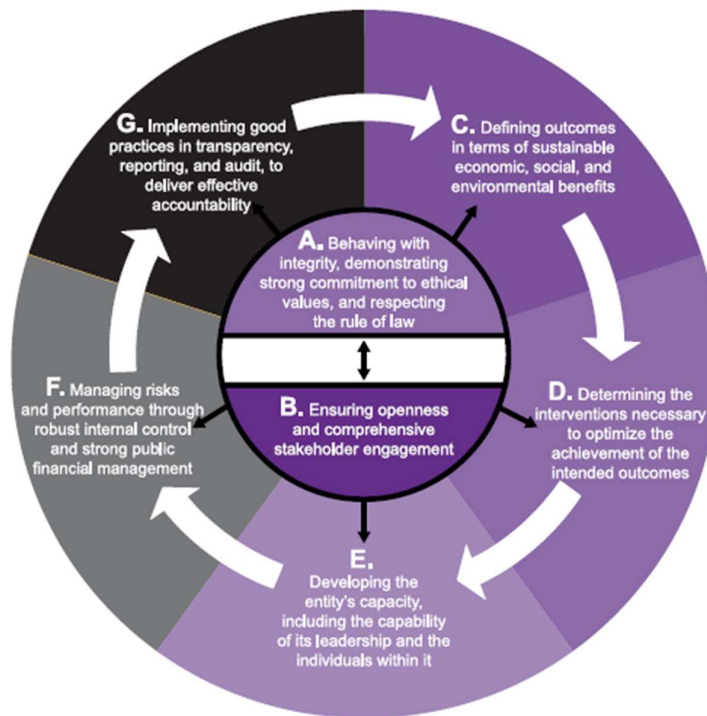
Arrangements for Governance

The Council's governance arrangements are designed to secure compliance with the principles set out in the CIPFA/SOLACE Framework for "*Delivering Good Governance in Local Authorities*"¹

¹ <https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Elmbridge is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The seven core principles of “*Delivering Good Governance in Local Authorities*” are illustrated as:



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

A - Behaving with integrity

The Council’s Constitution defines the roles/responsibilities of the Cabinet (Executive), regulatory committees, the Overview & Scrutiny Committee and statutory officers and sets out how these roles are discharged, and the delegations extended to officers and Councillors.

Codes of Conduct are in place for Councillors and officers and are set out in the Council’s Constitution. The member/office protocol sets out relationship expectations. All new Councillors and officers receiving training on the expected behaviour.

The Council’s Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.

B - Ensuring openness

The Council consults regularly with stakeholders, taxpayers and service users. The “My Elmbridge” programme is in place to consult, engage and inform residents about local services. The Council proactively engages with residents, businesses and partners to maintain the Council’s reputation, gain understanding and support for the organisation’s vision and objectives and keep users informed about priorities, services and campaigns and consultations via digital, in person and social media channels.

The Council’s website provides a key means of communication between the Council and the public in an open and transparent form. The Council provides considerable transparency information on the website. The website is in the process of being updated to enhance the public experience of use.

The Council is a proactive user of social media and other online tools to ensure engagement.

Responsiveness to freedom of information requests are monitored by the Monitoring Officer and the Council’s Management Board.

C - Defining sustainable outcomes

The Council has launched the Elmbridge Vision 2023 (this is the Council’s plan covering a seven-year period from 2023-2030). Every year the Council sets out the Annual Delivery Plan with the objectives and priorities for the year.

The vision of the Council is:



Vision statement

A sustainable, thriving Elmbridge driven by the power of our community.

To deliver this Vision,

Elmbridge Borough Council will be a high performing, environmentally and financially sustainable organisation

In order to reach the Council’s 2030 goals, it is acknowledged that a period of transformation is necessary. A plan has been set to show what can be expected in the first three years of the vision.

D – Achieving intended outcomes

The Council has a robust Performance Management Framework in place which flows from the Vision 2023, into the Annual Delivery Plan and into individual service plans.

The Performance Management Framework contains key performance indicators to measure the performance of the services. There is also an organisational development framework in place including continuous performance reviews, one to ones and clear job descriptions.

Annual Service Performance Clinics are held to monitor service performance and governance arrangements.

The Cabinet are responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service areas. The Overview and Scrutiny Committee scrutinise portfolio holders, examine Council performance and future plans. The Overview & Scrutiny Annual Report is then approved by the Council.

Feedback from residents and businesses are obtained through the biannual resident's panel survey to ensure that a high level of customer service is delivered and that they are happy with the Council's priorities and services.

E – Developing Capacity

Asset capacity has been considered with assets, including parts of the Civic Centre being let to third parties. The Vision 2030 will transform the Council's services and it will look at capacity (including assets) as to the best services that can be delivered with the available resources.

There is a robust learning and development programme for officers including mandatory e-learning on a wide variety of subjects and management training. Councillors also have a training and development programme in place, which consists of a comprehensive induction programme, specific committee training e.g. licensing and governance issues such as the code of conduct.

F – Managing Risks

A Risk Management Strategy and strategic and operational risk registers are in place, which are regularly reviewed by officers and Councillors. The Strategic Risk Register is reviewed annually and links to the Council's top priorities and strategic objectives.

Financial Procedure Rules together with the Contract Procedure rules and Officer Employment Procedure Rules, set the framework of internal controls. Internal audit has a programme of work designed to assess how this framework operates in practice and reports to the Audit and Standards Committee.

Partnership working is governed by agreements, memoranda of understanding or protocols relevant to the type of work or relationship involved. The Council's legal services ensure all are fit for purpose and the Council's interest are protected. IT security requirements have been strengthened in response to increased global IT security threats as well as to reflect hybrid and virtual ways of working. The Information Governance Group meets quarterly to discuss and monitor compliance with corporate systems of internal control, data security, data protection and governance issues. Any issues are reported to the Council's Senior Information Risk Owner (SIRO).

The Council's Emergency Planning and Resilience specialist oversees and monitors the Council's range of business continuity plans including the Corporate Business Continuity Plan. Business Continuity desktop exercises are regularly held with the Emergency Planning and Resilience specialist.

G – Transparency and accountability

All Council meetings are held in public, and minutes and webcasts are available on the Council's website.

There is an effective Audit and Standards Committee with defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance. The external Annual Audit Report is submitted to that committee.

The Annual Report of the Audit & Standards Committee was approved by the Council in April 2023.

Annual financial statements include a narrative summary on the Council's performance during the year as well as reporting the financial position.

The Council's governance arrangements for budgeting, the accounts, financial decision making and compliance with codes of practice and legislation are in accordance with the financial management standards set out in the Financial Management code. No significant issues or concerns have been raised by internal or external audit.

Review of Effectiveness

The Council uses several ways to review the effectiveness of governance arrangements.

One of the key assurance statements is the Corporate Governance Review 2022/2023 undertaken by Internal Audit and which provided substantial assurance on the arrangements in place.

Internal Audit reviewed the following areas which have particular relevance to the Annual Governance Statement:

- Corporate governance framework arrangements

- Risk management
- Performance management
- Business continuity and emergency planning
- Information governance

The review of effectiveness is also informed by:

- The work of the Council Management Board and the senior managers who have responsibility for the development and maintenance of the governance environment;
- The Council’s risk management framework;
- The Audit and Standards Committee internal audit progress reports;
- Comments made by external auditors and other review agencies and inspectorates;
- The Head of Internal Audit’s Annual Report; and
- The completion of Annual Assurance Statements by all Heads of Service/Service Managers as at 31 March 2023.

All Heads of Service/Service Managers returned completed Annual Assurance Statements as at the 31 March 2023. The only issue of concern raised was that the delay in the audit of the Council’s account may impact on the future financial decision making of the authority.

The Head of Internal Audit’s Opinion for the year 2022/2023 is:

Audit Opinion

Substantial Assurance – A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

It is confirmed that the Local Code of Corporate Governance is in place and accords with the principals of the CIPFA/SOLACE “*Delivering Good Governance in Local Government Framework*” 2016.

The Council’s financial management and assurance arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Finance Officer in Local Government 2016.

CIPFA published the Code of Practice on “*Managing the Risk of Fraud and Corruption*” in 2014. The Council has adopted an approach that is appropriate for its fraud & corruption risks and commits to maintain its vigilance to tackle fraud. We have no knowledge of any actual, suspected or alleged fraud affecting the Authority which would cause a material misstatement in the financial statement’s either

through fraudulent financial reporting and/or misstatements resulting from misappropriation of assets for 2022/2023. There are two active investigations, neither of which are significant enough to impact on the financial statements.

Outcomes, value for money and improvements during the year

The Audit and Standards Committee received the Council's appointed External Auditor's (Grant Thornton) Audit Findings for 2021/2022 in November 2022. This report contains an unqualified opinion on the 2021/2022 financial statements. The Auditor's Annual Report - Value for Money conclusion is yet to be reported to the Council. It is noted in the Audit Findings Report that no significant weaknesses have been identified in the initial planning work.

The Auditor's Findings Report contained only one recommendation in relation to journal entries. On advice of previous external auditors, the Council have not implemented an automated Journal system, since it was considered a low risk. There was no evidence to substantiate the recommendation or that the existing controls are not effective, therefore the risk has been acknowledged and accepted.

Other governance outcomes are shown below

Issues Identified	Performance in 2022/2023
Formal reports by Chief Finance Officer or Monitoring Officer to the Council	None
Outcomes from Audit and Standards Committee or Monitoring Officer Investigations	The Monitoring Officer received 8 complaints about member conduct in 2022/2023 (3 related to the Parish Council, 2 relate in general terms to planning decisions and 3 were against Borough Councillors). One has proceeded to investigation and is ongoing at the time of this statement.
Proven frauds carried out by Councillors or officers	None
Objections received from local electors	None
Local Government Ombudsman (LGO) referrals upheld	In response to one complaint, the Council has had to make an apology and refine processes. All other complaints have not been upheld.
Information Commissioner referrals upheld	None

The Council continued the monitoring of performance to ensure that continuous improvements are made.

The Council has a new People Strategy and a delivery plan which sets out the five key commitments that provide focus for growth as an organisation to deliver our Vision over the next seven years. These are all about supporting and developing high performing teams, valuing diversity of the workforce and engaging people at all levels to ensure we are one council.

Direction of travel

The overall direction of travel by the Council is one of strengthening its governance arrangements. The Vision was the perfect opportunity to review the Council's constitution to ensure that all the protocols, policies and procedures are updated to enable the Council to fulfil the vision. Most of the Constitution has been reviewed and updated and took effect from the 17 May 2023 (the Annual Council Meeting). Moving forward the operation of the new constitution will be monitored and remaining sections (Financial Procedural Rules, Contract Procedure Rules, Officer Code of Conduct and the arrangements for dealing with complaints) will be updated during the coming year.

It is acknowledged that the Council could strengthen its contract management processes and procedures and is embarking on a project to develop more robust practices.

The Council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government continue to be in a period of transition. The Council continues to progress the delivery of its ambitious transformation programme, with officers and members engaged in working towards the delivery of the programme.

The changes taking place presents both opportunities and challenges. The Council must continue to engage in a broad programme of innovation, service review and redesign work so it can provide services for residents which are efficient, effective and deliver value for money, using available resources.

Conclusion and Certification

Good governance is about doing things properly. It is the means by which the Council demonstrates that it is taking decisions for the good of the people of Elmbridge in an open and equitable way. It recognises the standard of behaviour that supports good decision making. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.

Conclusion

The Council is satisfied that suitable and appropriate governance arrangements are in place. The Annual Assurance Statements received do not highlight any matters of a significant governance nature and the Corporate Governance Review 2022/2023 gives substantial assurance.

However, looking to 2023/2024, there is always more that can be done, and the Council will focus on a review of the remaining sections of the constitution and strengthening contract management practices and procedures across the authority.

Certification

We have been advised on the results of the annual review of the effectiveness of the Council's governance framework, as set out above. We will continue to monitor best practice and potential improvements as part of our next annual review.

We confirm to the best of our knowledge, that this statement provides an accurate and fair view of the Council's operations and governance framework.

Signed on behalf of Elmbridge Borough Council by:

..... Bruce McDonald, Leader of the Council

..... Adam Chalmers, Chief Executive