



Guildford Borough Council unaudited Statement of Accounts 2022-23

DRAFT

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Statement Of Responsibilities	3
Independent Auditor's Report To The Members of Guildford Borough Council	4
Report on the Audit of the Financial Statements – to follow	4
Chief Financial Officer's Narrative Report	5
General Accounting Policies	17
Comprehensive Income and Expenditure Statement (CIES)	21
Movement In Reserves (MIRS)	22
Balance Sheet	24
Cash Flow Statement	25
Notes To The Accounts	27
1a). Expenditure And Funding Analysis (EFA)	27
1b). Notes To The Expenditure and Funding Analysis	29
2. Expenditure And Income Analysed By Nature	32
3. Adjustments Between Accounting And Funding Basis Under Regulations	33
4. Officers' Remuneration	36
5. Termination Benefits	40
6. Related Parties	43
7. Councillors' Allowances	44
8. Defined Pension Benefit	44
9. External Audit Cost	51
10. Grant Income	51
11. Movements in Earmarked Reserves	53
12. Property, Plant And Equipment (PP&E)	58
13. Heritage Assets	63
14. Investment Property	65
15. Intangible Assets	66
16. Assets Held For Sale	67
17. Debtors	67
18. Short Term Creditors	68
19. Cash And Cash Equivalents	68
20. Cash Flow Statement – Operating Activities	68
21. Provisions	69
22. Unusable Reserves	71
23. Capital Expenditure and Capital Financing	74
24. Financial Instruments	75
25. Nature And Extent Of Risks Arising From Financial Instruments	80
26. Leases	85
27. Post Balance Sheet Event	87
28. Contingent Liabilities	87
29. Contingent Assets	87
30. North Downs Housing Ltd	87
31. Critical Judgements In Applying Accounting Policies	88
32. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty	88
33. Accounting Standards that have been issued but not yet adopted	90
Housing Revenue Account (HRA) Income And Expenditure Statement	92
Movement On The Housing Revenue Account (HRA) Statement	93
Notes To The Housing Revenue Account	94
1. Gross Rent Income	94
2. Rent Arrears	94
3. Housing Stock	94
4. Stock Valuation – Balance Sheet Basis	95
5. Stock Valuation – Vacant Possession Value	95
6. Major Repairs Reserve (MRR)	96
7. Capital Expenditure and Financing	96

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

8. Depreciation	97
9. Contributions to/from the Pensions Reserve	97
Collection Fund	98
Notes To The Collection Fund	99
1. General	99
2. Income from Business Rates	99
3. Income from Council Tax	100
4. Collection Fund Provisions	100
Group Statement of Accounts 2022-23	102
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	106
GROUP BALANCE SHEET	107
Glossary	109

DRAFT

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial 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 Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Guildford Borough Council at 31 March 2023 and of its income and expenditure for the year ended 31 March 2023.

Richard Bates

Chief Financial Officer

Independent Auditor's Report To The Members of Guildford Borough Council

Report on the Audit of the Financial Statements – to follow

DRAFT

Chief Financial Officer's Narrative Report

Introduction

Guildford is the county town of Surrey, known for its historic buildings and landscapes, cultural associations and the picturesque town centre. Situated in the southwest of the county and surrounded by Green Belt and countryside, the urban areas of Guildford, Ash and Tongham are home to many of the borough's residents, with further communities in village settlements. We are within commuting distance from London and about 70 kilometres from the south coast.

We are the second largest borough in the county in terms of area, covering approximately 270 square kilometres. Guildford Cathedral, the University of Surrey, the Hog's Back and Surrey Hills are dominant landmarks of our borough. We are one of the safest parts of Surrey and part of one of the safest counties in England.

Our borough's population has risen steadily from 93,000 in 1951 to 137,183 in 2011. The population is predicted to grow from 145,473 in 2015 to 167,126 by 2034

Our residents are largely healthy and enjoy well above average life expectancy. The workforce is generally well educated, highly skilled and well paid.

The Index of Multiple Deprivation 2015 provides a measure of deprivation based on factors such as income, employment, health, education, housing and crime. The Index ranks our borough amongst the least deprived 10 per cent of boroughs in England.

In accordance with the Council's commitment to openness, this Narrative Report to the Statement of Accounts presents an overview of the Council's finances for the financial year 1 April 2022 to 31 March 2023. It also shows how the Council has performed and identifies the challenges faced and aims to help readers understand the most significant issues reported in the accounts and how they relate to the Council's overall business.

To achieve its objectives the Council employs approximately 666 staff in full-time and parttime positions, including apprentices, in a wide variety of roles. The Council recognises the importance of investing in the development of its employees through staff development and training programmes to enable the delivery of a quality service.

The financial statements presented are those of the Council and its group entities.

Purpose/Services

As a local authority the Council's purpose is to deliver a wide range of services to the local community. It also provides and maintains 5243 Council houses.

Financial Headlines – the Council:

- Collected £128 million of Council Tax of which £12.9 million was kept by the Council to spend on services.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- Collected £76 million of Business Rates from business rate payers, most of which was paid to the Government.
- Holds £1.104 billion in assets (including Council Dwellings) which generate income to help deliver services.
- Ended the year with total general fund reserves use in 2022/23 of £14.7 million.
- Housing Revenue Account (HRA) with a £5.9 million deficit which has decreased earmarked reserves.
- Guildford Borough Council and Waverley Borough Council agreed to create a shared management team, which has now been created and took effect from 1 October 2022.

Strategic objectives and Corporate Plan

The Council provides its services under its overarching Corporate Plan. The Corporate Plan 2021-2025 was adopted by the Council in November 2021. The Corporate Plan provides the Council with direction, priorities and key objectives. Objectives are delivered through annual service plans which are agreed with Members and monitored and reported regularly. The full Corporate Plan 2021-2025 can be found on the Council's website www.guildford.gov.uk

Key relationships with other parties for effective service delivery:

- Town and Parish councils
- Surrey County Council
- Waverley Council as collaboration partner
- Community Organisations under Service Level Agreements
- Contractor partners including Freedom Leisure operating Spectrum, Ash Manor and LIDO leisure facilities and HQ Theatres running GLIVE theatre.

Achievements in 2022/2023

- We have achieved a joint management team collaboration with Waverley District Council
- Agreed a budget for 2023/24 with a revised budget in July 2023 addressing the medium-term budget shortfall and economic impacts on the Council's finances.

Challenges facing the Council Financial Pressures

- Impact of economy on 2023/24 budget and the Medium-Term Financial Plan (MTFP) – see specific statements later in the Narrative report.
- Reducing government funding
- Uncertainty about future funding coming from the Government's Fair Funding Review and business rates proposals.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- Inflation on costs with further significant increases projected in 2023/24.
- Demographic changes and the budget pressures of adult social care demands being felt by Surrey County Council and filtering down to Borough Councils.
- Government legislation on homelessness.
- Staff recruitment and retention in key professional roles.
- Local high house prices and demand for affordable housing.

Annual Governance Statement

The Annual Governance Statement (AGS), which is detailed later in the financial statements, documents the Council's approach to governance and ensures there are robust rules, systems and information available for managing and delivering services to the local community. The AGS also identifies any issues arising in the year and details actions taken to address them. The Council's Corporate Governance and Standards Committee provides oversight of the arrangements for financial governance as well as the management of risk. The Corporate Governance and Standards Committee considers any emerging governance matters at each of its meetings.

Financial Performance

The Council has several short, medium, and long-term plans to direct resources into service delivery and outcomes that fulfil its strategic and operational objectives for meeting the needs of the community.

These plans comprise:

Capital and Investment Strategy	Brings together the Council's detailed policies, procedures and plans relating to cash investments and property assets.
Medium Term Financial Plan	Sets out the pressures and opportunities over the next four years and strategy to address the forecast funding shortfall to ensure there will be sufficient resources for service delivery.
Annual revenue budget	To allocate resources to provide services during the year.
Capital programme and projects	Delivery of projects for longer term benefits including income generation. The Council has a three-year rolling capital programme.

The key resources on which the Council depends are:

Financial Resources

- Local taxation
- Income raised from fees and charges and property rents
- Grants

Non-Financial Resources

- Skilled and experienced staff
- Partnerships with other organisations

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- Information sharing

Revenue expenditure for year

A summary of the general fund position is shown below. To summarise the planned contribution in the budget from earmarked reserves was £1.8 million (excluding the business rates reserve). The outturn position shows a contribution of £5.107 million, £6.997 million greater than expected. The overall use of reserve including the business rate reserve was £14.726 million which was needed to balance the 2022/23 outturn.

A summary of the General Fund position is below:

	Final Budget £'000	Outturn £'000	Variation £'000
Community Wellbeing	13,785	12,245	(1,540)
Transformation & Governance	(1,187)	7,383	8,570
Place	(3,471)	(2,457)	1,014
Total Services	9,127	17,171	8,044
MRP	1,545	1,550	5
Interest payable to HRA	54	1,107	1,053
External interest receivable	(551)	(2,518)	(1,967)
IFRS9 charge to general fund		194	194
Revenue Contributions to Capital Outlay (RCCO)	1,008	2,409	1,401
Total Cost of Services	11,183	19,913	8,730
Funded by:			
Parish Precepts	2,029	2,029	0
Business Rates Retention			0
Tariff	31,844	31,844	0
Levy	2,028	499	(1,529)
Safety Net	0	(3,043)	(3,043)
Retained Income	(27,508)	(27,508)	0
Collection Fund deficit	8,270	8,270	0
Council Tax			0
Demand on the Collection Fund (inc precepts)	(12,928)	(12,928)	0
Collection Fund surplus	(125)	(125)	0
General Grants			0
New Homes Bonus Grant	(766)	(766)	0
SFA multiplier	(241)	(202)	39
S31 grant	(7,931)	(3,076)	4,855
Other grants	(333)	(181)	152
Contributions to/(from) Earmarked Reserves	1,890	(5,107)	(6,997)
Contributions to/(from) business rates reserves	(7,412)	(9,619)	(2,207)
Total Funding	(11,183)	(19,913)	(8,730)

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The main variances are detailed below:

Community Wellbeing		
Amenity Horticulture	£579,000	Overspend on agency and consultancy
Building Maintenance	(£567,000)	Increased income
Countryside	(£362,000)	Savings on salaries and supplies
Crematorium	£393,000	Increase in utility costs and lower fee income
Day Services	£248,000	£163,000 asset maintenance costs and £50,000 utility costs
Domestic Refuse and Recycling	£368,000	£165,000 extra vehicle operating cost and £103,000 on agency staff
Family Support	(£197,000)	Extra grant income
Grants to Voluntary Organizations	(£261,000)	Reduction in grants given out
Homelessness Support	(£114,000)	Extra income
Housing Outside the HRA	£325,000	Extra expenses re: Old Manor House
Housing Surveying	(£615,000)	Extra income from recharging to other services
ICT Operations	£415,000	Overspend on recharge
Private Sector Housing Maintenance	(£120,000)	Lower costs
Public Relations	(£179,000)	£142,000 of salary savings
Reprographics	£196,000	Shortfall on income recovered
Resource Caseworker	(£196,000)	Salary savings
Street Cleansing	(£307,000)	£188,000 extra recharge income and savings on services and partnership costs
SPA sites	(£1,800,000)	Extra planning fee income
Trade Refuse and Recycling	(£163,000)	Reduction in services and printing costs
Traveller Caravan Sites	£158,000	Increased utility costs
Vehicle Workshops	£365,000	Increased costs of materials
Woking Road facilities Management	£158,000	Increased costs of services and utilities
Youth and Community Centres	(£111,000)	£98,000 savings on business rates
Place		
Compliance	£116,000	Overspend on salaries
Corporate Property	(£907,000)	£476,000 saving on asset maintenance and £324,000 extra recharge income
Development Control	£1,000,000	Extra staff costs and consultancy
Dog Control	£128,000	Overspend on salary costs
Engineering And Transportation Services	(£199,000)	Savings on asset maintenance and grounds maintenance
Industrial Estates	(£1,300,000)	Higher rental income
Investment Properties	£1,100,000	Lower rental income
Major Projects	£1,000,000	Overspend on consultancy Town Centre
Planning Policy	(£228,000)	Savings on salaries and supplies
Private Sector Housing	£103,000	Overspend on salary
Town Centre Management	£196,000	Sponsorship income not achieved

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Transformation and Governance		
Building Control	£256,000	£170,000 less income £75,000 agency staff
Business improvement	£217,000	£160,000 ICT software and other costs for future Guildford
Business rates	(£120,000)	£153,000 extra income from BEIS Covid Grant(?)
Civic Expenses	(£125,000)	Savings on salaries and events
Climate	(£100,000)	Savings on consultancy budget
Community Safety	(£258,000)	Savings on salaries in Strategy cost centre
Corporate Financial	£100,000	Overspend on brokers fees
Events	£225,000	Overspend on salaries
WBC Collaboration	£198,000	Unbudgeted costs
Housing benefits	£599,000	£553,000 shortfall on rent rebates
Insurance	£302,000	Extra insurance costs
Leisure Management Contract	£2,000,000	£1.5 million overspend on utilities
Miscellaneous Expenses	£922,000	£1.2 million income/savings budget not achieved
Unallocated Central Overhead	£1,040,000	Increase in bad debt provision
Prior year balances	£655,000	Clearing of prior year balances
Exceptional Item	£2,800,000	Provision for cumulative interest North Downs Housing

- Revenue contribution to capital spend was £1.4 million higher than budget and will be funded from capital reserves
- (£0.9 million) extra net interest received less paid to the HRA

The finances for the Council's council houses are maintained in a ring-fenced account called the Housing Revenue Account (HRA). The HRA has an agreed 30-year Business Plan. Revenue spend for the year was within budget. The cost of providing services is detailed in the table below:

	Budget	Outturn	Variance
	2022/23	2022/23	2022/23
	£000	£000	£000
Expenditure			
Management and Maintenance	12,693	14,538	1,845
Depreciation	5,525	6,426	901
Interest Payable and similar charges	5,052	4,799	(253)
Other expenditure	824	892	68
Capital Charged against revenue	-	13,700	13,700
Transfer to reserves	10,958	(5,904)	(16,862)
Total Expenditure	35,052	34,451	(601)
Income			
Council House Rents	(31,677)	(31,141)	536
Interest receivable	(54)	(1,107)	(1,053)
Rent income	(1,232)	(1,030)	202
Fees, charges and miscellaneous income	(2,089)	(1,173)	916
Total Income	(35,052)	(34,451)	601

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Overspends/High Spend areas in HRA cover the following:

- Agency Costs
- Utilities
- Repairs – Asset Maintenance, Building Expenses, Grounds Maintenance
- Services
- Cleaning Contractors
- General increases due to cost of living
- Capital Expenditure charged against revenue

Capital Spend

Spend on the Council's assets totalled £61 million and is detailed in the table below:

	2022/23 Revised Budget £ (000)	2022/23 Outturn £ (000)	Variance £ (000)
Housing Revenue Account			
Approved*	53,519	24,539	(28,980)
Provisional	7,281	1,816	(5,465)
General Fund			
- Main Programme	122,988	34,053	(88,935)
- Provisional schemes	43,706	0	(43,706)
- Schemes funded by reserves	2,715	1,109	(1,606)
- S106 Projects	409	283	(126)
Total Capital Programme	230,618	61,800	(168,818)

	2022/23 Revised Budget £ (000)	2022/23 Outturn £ (000)
Funded By:		
RTB "one for one" receipts		(2,372)
Use of Capital Receipts		(854)
Use of Reserves		(16,109)
External Grants & Contributions		(7,219)
Major Repairs reserve		(9,588)
Borrowing Requirement		(25,658)
Total Funding		(61,800)

Risks and Opportunities

The Council has a risk management strategy in place to identify and evaluate risk. This strategy is subject to regular review and updating. Through understanding risk, the Council is able to support better decision making and identify opportunities, as well as threats, in relation to future service provision. The risk register shows the high-level risks that could prevent the Council from achieving its corporate aims and objectives and includes mitigation against these risks as well as a risk rating and impact assessment.

The key themes, being the most significant to the Council in achieving its Corporate Strategy objectives are:

- On-going impact of Covid-19 pandemic, including the economic implications
- Finance – Medium Term Financial Plan and addressing the projected budget gap
- Deliver housing options for people in need of affordable housing
- Achieving sustainable housing needs for the future
- A sense of responsibility for our environment, promoting biodiversity and protecting our planet
- Responsible planning and supporting place-shaping and local engagement in planning policy
- Promoting the use of environmentally sustainable transport options, including reducing the need to travel and supporting the use of electric vehicles
- Promoting a business-friendly culture that supports local businesses and helps those wanting to locate to the borough
- Delivering a Property Investment Strategy that supports the local economy, while providing additional income to the Council
- Ensuring the council operates in an open, democratic manner where all residents feel valued and able to contribute

Looking ahead, the following are some key areas of risk and opportunity for the coming year:

- Mitigating the cost-of-living crisis and its impact on local residents and on the council, in terms of reducing income and higher costs associated with the rapid rise in inflation.
- Support to the community and the associated increase in homelessness presentations.
- Challenges to our carbon neutral action plan from economic and supply chain pressures.
- The potential for high staff turnover, with recruitment and retention being key. Impact on services and cost of agency cover will be under close management scrutiny.
- Draw in external funding for revenue and capital across all services
- Protecting the Council from the heightened cybercrime risk
- Housing rent constraints, inflation on costs and affordability will be a key consideration in the ongoing HRA business plan

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

All district and borough councils face severe financial challenges in the next few years because of increasing demand for services, the state of the UK economy over the last year (with high inflation and rising interest rates), and a succession of government funding reductions over many years. As previously reported to councillors, Guildford Borough Council's challenge is greater and more urgent than most councils due to these factors and a legacy of ambitious decisions to support infrastructure and regeneration that have increased our requirement to finance the council's overall c £300 million actual debt, which is expected to rise further. Following a detailed review commissioned by the new management team, the council is imposing financial controls and seeking further external support and advice. While a Section 114(3) notice – a formal statement by the Chief Finance Officer that expenditure cannot be met by resources – is not required for the financial year 2023/24, we are gravely concerned about the councils' financial position in the medium term (2-4 years) and will reconsider the issue of such a notice in time for the October council meeting, which will consider a revised Medium Term Financial Plan, in the light of the progress that has been made to set the council on a more sustainable footing.

General Information

Management Board as at 31 March 2023

- Joint Chief Executive Tom Horwood
- Joint Strategic Director for Community and Wellbeing Annie Righton
- Joint Strategic Director for Place Dawn Hudd
- Joint Strategic Director for Transformation & Governance Ian Doyle
- Joint Executive Head of Finance and S151 Officer at 31 March 2023 Peter Vickers
- Joint Executive Head of Legal and Democratic Services as at 31 March 2023 Susan Sale

External Auditors

Paul Cuttle

Grant Thornton UK LLP

30 Finsbury Square London

EC1A 1AG

Explanation of Key Information contained in the Financial Statements

Local Authorities are required to prepare their accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). International Financial Reporting Standards (IFRS) form the basis for the Code, which has been developed by the Local Authority Accounting Code Board comprising members from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority of Scotland Accounts Advisory Committee (LASAAC), under the oversight of the Financial Reporting Advisory Board (FRAB). The Code constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

The complete set of financial statements is set out on the following pages. The Code prescribes the order

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

of presentation of the financial statements and the Statement of Accounting Policies supports the accounts by explaining the policies used in their preparation. In summary, the financial statements comprise the:

- **Expenditure and Funding Analysis (EFA):** showing how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources the Council consumes or earns in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.
- **Comprehensive Income and Expenditure Statement (CIES):** showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This Statement provides the detail behind the surplus or deficit on provision of services figure included in the Movement in Reserves Statement. The Statement shows the total expenditure and income in the year for all services.
- **Movement in Reserves Statement (MiRS):** showing the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that we can use to finance expenditure or reduce local taxation) and other reserves. This Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax or rents for the year.
- **Balance Sheet:** showing the value of the Council's assets and liabilities at 31 March 2023. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- **Cash Flow Statement:** showing the changes in the amount of cash and cash equivalents during the financial year. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- **Notes to the above Statements:** giving a summary of significant accounting policies and other explanatory information. We have split these notes into normal and accounting technical notes to aid the readability of the financial statements for users.
- **Housing Revenue Account (HRA) Income and Expenditure Statement:** covering income and expenditure relating to the provision of council housing in accordance with Part 6 of the Local Government and Housing Act 1989. The HRA is ring-fenced from the rest of the General Fund. Its primary purpose is to ensure that the expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants so that rents cannot be subsidised from council tax, or vice versa.
- **Notes to the HRA:** giving explanatory information to the HRA Income and Expenditure statement.
- **Collection Fund Revenue Account:** showing the transactions of the Council as a billing authority in relation to non-domestic rates and council tax. The Fund shows the way in which these have been distributed to local authorities and the Government on whose behalf

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Guildford Borough Council collects the amounts due.

- **Notes to the Collection Fund:** giving explanatory information to the Collection Fund Revenue Account.
- **Group accounts:** provides a set of account for the Council's wholly owned companies.

Measuring Performance in 2022/23

The Council measures and monitors performance in a number of ways:

- At a strategic level the Council sets out its objectives in the Corporate Strategy and measures performance against these objectives.
- At a service level the three yearly rolling Service Plans are prepared, with an annual review process in the Autumn, setting out the service specific actions that underpin the delivery of the Corporate Strategy goals. Progress on Service Plans actions is reported to service specific Overview & Scrutiny Committees.
- At an operational level the Council uses a set of key performance indicators to monitor performance in services such as housing, environment, planning and leisure. The final performance figures for 2022/23 will be reported to the Overview and Scrutiny Committees in June and the Executive in July 2023.
- At an individual level the Council operates a system of personal performance reviews which set objectives and assess performance against objectives.
- Management of cash flow is monitored during the year with a target of achieving an average daily cash balance of less than £25,000.

Looking ahead – addressing the financial challenges

As Chief Financial Officer I consider that, under the circumstances, the priority is to deliver the plans put to council in July 2023 and avoid or delay a s114 report.

In the light of continued financial pressure from government cuts and the impact of new legislation the Council must adapt to the challenges and changes ahead. The Council has developed plans which include focusing on strengthening resilience in operations and policies including financial and staffing resilience. The budget strategy comprising a multi-programme approach to cost saving and income generation will put the Council in a stronger position to withstand the financial challenges it faces in the future.

The medium- and long-term strategies and plans to address any future funding shortfalls include:

- Cost savings from better procurement
- Cost savings from collaboration with Waverley Council, with a combined Chief Executive and Senior Management Team
- Business transformation and customer service improvement
- Property income

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- Council tax increases

The Council's aim is to continue to provide high quality services and replace diminishing traditional resources with alternative sources of income whilst also reducing its cost base.

To use its resources to maximum effect the Council will continue to:

- Strengthen its approach to risk management while also recognising this may bring opportunities to try new ventures and ways of working.
- Spend appropriately to keep its assets fit to maintain service delivery.
- Consider different or innovative ways of delivering services including partnership working where appropriate.
- Improve performance and project management.
- Review all services and their budgets to identify areas of further efficiency and value.

Richard Bates

Chief Financial Officer

19 August 2022

General Accounting Policies

This section sets out general accounting policies used to prepare the statement of accounts of Guildford Borough Council and its group. Accounting policies that are used to report on specific balances or transactions are set out in the accounting notes for the relevant balance or transaction.

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 Accounts and Audit (England) Regulations 2015 require the Council to prepare its annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 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.

2. Group Accounts

Guildford Borough Council is the ultimate parent of two wholly owned subsidiaries, Guildford Borough Council Holdings Company Limited and North Downs Housing Limited. Both companies have a year end of 31 March. For 2022-23 elements of their financial statements are material to the statement of accounts of the Council. As a result, group accounts have been prepared.

3. Accruals of Income and Expenditure (debtors and creditors)

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 for the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The de-minimis for these are £1,000

4. Accounting practice for Council Tax and Business Rates

Guildford Borough Council is a billing authority for council tax and business rates. This means that we:

- act as an agent, collecting council tax and business rates on behalf of the major preceptors (Surrey County Council, Surrey Police and Crime Commissioner and, for business rates only, central government) and
- as a principal, collecting council tax and business rates for the Council itself.

The Council is required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. 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 business rates collected could be less or more than predicted.

The council tax and business rate 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 business rates 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 (MIRS).

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where these balances are impaired (because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made) the asset is written down and a charge made to the Taxation and Non-Specific Grant Income line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

The Council recognises a creditor in its Balance Sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of receiving the cash from council tax payers and business rate payers.

5. Material Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

6. Charges to Revenue for Non-Current Assets

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

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

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

7. Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period (31 March 2023) and the date when the Statement of Accounts was authorised for issue by the Chief Financial Officer on 18 August 2023. Two types of events can be identified:

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

Events taking place after 18 August 2023 are not reflected in the Statement of Accounts.

8. Overheads and Support Services

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

9. VAT

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

10. Fair Value Measurement

The Council measures some of its non-financial assets (such as surplus assets and investment properties) and some of its financial assets (such as funds held in money markets) at fair value at

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Comprehensive Income and Expenditure Statement (CIES)

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 or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) and the Movement in Reserves Statement (MIRS).

	2022/23			2021/22		
	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Community Wellbeing	33,923	(18,012)	15,911	30,911	(11,303)	19,608
Transformation & Governance	62,486	(41,488)	20,998	48,893	(39,752)	9,141
Place	25,627	(4,413)	21,214	19,079	(12,442)	6,637
Housing Revenue Account	13,827	(33,620)	(19,793)	16,590	(32,201)	(15,611)
Exceptional item (provision for North Downs Housing cumulative interest)	2,854	0	2,854	0	0	0
Covid Expenditure	0	0	0	19,010	(19,440)	(430)
Cost of Services	138,717	(97,533)	41,184	134,483	(115,138)	19,345
Parish Council precepts	2,029	0	2,029	1,935	0	1,935
Payments to the Government Housing Capital Receipts Pool	0	0	0	691	0	691
(Gains)/Losses on the disposal of assets	(431)	0	(431)	(1,126)	0	(1,126)
Other Operating Expenditure	1,598	0	1,598	1,500	0	1,500
Pension interest cost and administration costs	3,214	0	3,214	2,940	0	2,940
Interest receivable and similar income	0	(3,415)	(3,415)	0	(1,878)	(1,878)
Interest payable and similar expenses	5,696	0	5,696	5,112	0	5,112
Changes in fair value of investment properties	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other investment income	2,035	0	2,035	(1,452)	0	(1,452)
Income and expenditure in relation to investment properties	1,743	(9,158)	(7,415)	1,059	(8,169)	(7,110)
Financing and Investment Income and Expenditure	12,688	(12,573)	115	7,659	(10,047)	(2,388)
Council Tax Income	0	(13,291)	(13,291)	0	(12,081)	(12,081)
Non Domestic Rates	0	846	846	0	4,425	4,425
Non-ringfenced government grants	0	(4,047)	(4,047)	0	(10,189)	(10,189)
Capital grants and contributions	0	(7,334)	(7,334)	0	(12,735)	(12,735)
Taxation and non-specific grant income and expenditure	0	(23,826)	(23,826)	0	(30,580)	(30,580)
(Surplus) or Deficit on Provision of Services	153,003	(133,932)	19,071	143,642	(155,765)	(12,123)
Surplus on revaluation of non-current assets.			(42,634)			(48,962)
Actuarial (gains)/losses on pension assets/liabilities			(104,609)			(37,639)
Other Comprehensive Income and Expenditure			(147,243)			(86,601)
Total Comprehensive Income and Expenditure			(128,172)			(98,724)

Movement In Reserves (MIRS)

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022	(3,882)	(43,548)	(2,500)	(104,618)	(10,683)	(9,588)	(505)	(175,324)	(583,676)	(759,000)
Movement in Reserves in 2022/23: (Surplus) deficit on the provision of services (accounting basis)	27,079	0	(8,008)	0	0	0	0	19,071	0	19,071
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(147,243)	(147,243)
Total Comprehensive Income and Expenditure	27,079	0	(8,008)	0	0	0	0	19,071	(147,243)	(128,172)
Adjustments between accounting and funding basis under regulation - note 3	(12,353)	0	13,914	0	(1,495)	3,161	(114)	3,113	(3,113)	0
Net increase/decrease before transfers to Earmarked reserves	14,726	0	5,906	0	(1,495)	3,161	(114)	22,184	(150,356)	(128,172)
Transfers to/from Earmarked reserves - note 11	(14,726)	14,726	(5,906)	5,906	0	0	0	0	0	0
Increase/(Decrease) in Year	0	14,726	0	5,906	(1,495)	3,161	(114)	22,184	(150,356)	(128,172)
Balance at 31 March 2023	(3,882)	(28,822)	(2,500)	(98,712)	(12,178)	(6,427)	(619)	(153,140)	(734,032)	(887,172)

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

2021/22	General Fund Balance	Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	(3,748)	(53,814)	(2,500)	(97,817)	(8,900)	(11,877)	(735)	(179,391)	(479,971)	(659,362)
Movement in Reserves in 2021/22:										
(Surplus)/ deficit on the provision of services (accounting basis)	(1,243)	0	(10,880)	0	0	0	0	(12,123)	0	(12,123)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(86,601)	(86,601)
Total Comprehensive Income and Expenditure	(1,243)	0	(10,880)	0	0	0	0	(12,123)	(86,601)	(98,724)
Adjustments between accounting and funding basis under regulation - note 3	10,955	0	4,498	0	(1,783)	2,289	230	16,189	(17,104)	(915)
Net increase/decrease before transfers to Earmarked reserves	9,712	0	(6,382)	0	(1,783)	2,289	230	4,066	(103,705)	(99,639)
Transfers to/from Earmarked reserves - note 11	(9,846)	10,266	6,382	(6,801)	0	0	0	1	0	0
Increase/(Decrease) in Year	(134)	10,266	0	(6,801)	(1,783)	2,289	230	4,067	(103,705)	(99,638)
Balance at 31 March 2022	(3,882)	(43,548)	(2,500)	(104,618)	(10,683)	(9,588)	(505)	(175,324)	(583,676)	(759,000)

Balance Sheet

		31 March 2023	31 March 2022
		£'000	re-stated £'000
Property, Plant and Equipment	<i>Note 12</i>	919,674	855,733
Heritage Assets	<i>Note 13</i>	3,765	3,765
Investment Properties	<i>Note 14</i>	178,198	173,936
Intangible Assets	<i>Note 15</i>	2,541	2,762
Long Term Investments	<i>Note 24</i>	35,212	58,111
Long Term Debtors	<i>Note 17</i>	18,874	16,308
LONG TERM ASSETS		1,158,264	1,110,615
Short Term Debtors	<i>Note 17</i>	27,449	27,598
Inventories		509	296
Short Term Investments	<i>Note 24</i>	65,446	70,358
Cash and Cash Equivalents	<i>Cash Flow</i>	16,362	36,530
CURRENT ASSETS		109,766	134,782
Short Term Creditors	<i>Note 18</i>	(58,154)	(63,002)
Provisions	<i>Note 21</i>	(6,866)	(3,219)
Short Term Borrowing	<i>Note 24</i>	(127,232)	(134,292)
CURRENT LIABILITIES		(192,252)	(200,513)
Pension Liabilities		(20,550)	(116,284)
Long Term Borrowing	<i>Note 24</i>	(168,053)	(169,599)
LONG TERM LIABILITIES		(188,603)	(285,883)
NET ASSETS		887,175	759,001
General Fund		(3,883)	(3,884)
Earmarked Reserves	<i>Note 11</i>	(28,821)	(43,548)
Housing Revenue Account		(2,500)	(2,500)
HRA Earmarked Reserves		(98,711)	(104,617)
Capital Receipts Reserve		(12,178)	(10,683)
Major Repairs Reserve		(6,427)	(9,588)
Capital grants and contributions		(620)	(505)
USABLE RESERVES	<i>MIRS</i>	(153,140)	(175,325)
Revaluation Reserve		(330,306)	(294,155)
Capital Adjustment Account		(425,573)	(414,952)
Pensions Reserve		20,550	116,284
Collection Fund Adjustment Account		872	10,326
Accumulated Absences Account		286	532
Financial Instruments Adjustment Account		136	(1,711)
UNUSABLE RESERVES	<i>Note 22</i>	(734,035)	(583,676)
TOTAL RESERVES		(887,175)	(759,001)

Richard Bates, Chief Finance Officer
19 August 2023

Cash Flow Statement

The Cash Flow Statement shows how the Council generates, uses and the changes in cash and cash equivalents of the Council during the reporting period.

2021-22		2022-23
£000		£000
	OPERATING ACTIVITIES	
12,123	Net surplus/(deficit) on the provision of services	(19,072)
57,313	Adjustments for non-cash movements (Note 27)	10,590
(19,908)	Adjustments for items included in the net surplus that are investing and financing activities (Note 27)	(11,881)
49,528	Net cash flows from Operating Activities	(20,363)
	INVESTING ACTIVITIES	
(40,814)	Payments for additions to long term assets	(45,373)
(153,053)	Payments for purchase of investments	(42,491)
(3,434)	Other payments for investing activities	70
7,176	Proceeds from the disposal of long term assets	4,726
150,382	Proceeds from disposal of investments	68,392
12,850	Other receipts from investing activities	6,935
(26,893)	Net cash flows from Investing Activities	(7,741)
	FINANCING ACTIVITIES	
199,050	Cash receipts of short and long-term borrowing	10,000
0	Other receipts from financing activities	15,948
(19,319)	Other payments from financing activities	0
(206,500)	Repayments of short and long-term borrowing	(18,013)
(26,769)	Net cash flows from financing activities	7,935
(4,134)	Net increase/(decrease) in cash and cash equivalents	(20,169)
40,665	Cash and cash equivalents at the beginning of the reporting period	36,531
36,531	Cash and cash equivalents at the end of the reporting period (Note 19)	16,362

Cash flows are classified 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 that are intended to contribute to the Council's future service delivery.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

The cash flow statement shows cash and cash equivalents net of bank overdrafts that are repayable on demand and form an integral part of the Councils cash management.

DRAFT

Notes To The Accounts

1a). Expenditure And Funding Analysis (EFA)

The EFA shows how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources the Council consumes or earns in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's Directorates.

- Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES and the Housing Revenue Account (HRA).
- The split of the balance between the General Fund (GF) and the Housing Revenue Account (HRA) is set out in the MIRS.

	2022-23			2021-22		
	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000
Community Wellbeing	12,253	3,658	15,911	13,328	6,280	19,608
Transformation & Governance	7,383	13,615	20,998	1,350	7,791	9,141
Place	(2,457)	23,671	21,214	5,859	778	6,637
Housing Revenue Account	(18,027)	(1,766)	(19,793)	(20,975)	5,364	(15,611)
Exceptional item (provision for North Downs Housing cumulative interest)	0	2,854	2,854			
Covid Expenditure				(430)	0	(430)
Cost of Services	(848)	42,032	41,184	(868)	20,213	19,345
Other Income and Expenditure	21,481	(43,594)	(22,113)	4,198	(35,666)	(31,468)
(Surplus) or Deficit on Provision of Services	20,633	(1,562)	19,071	3,330	(15,453)	(12,123)
	General Fund	HRA	Total	Fund and HRA		
	£'000	£'000	£'000	£'000		
Opening balances	(47,432)	(107,117)	(154,549)	(157,879)		
(Surplus) or Deficit on Provision of Services	14,727	5,906	20,633	3,330		
Transfers between reserves			0			
Closing balance	(32,705)	(101,211)	(133,916)	(154,549)		

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Net Expenditure Chargeable to the GF and HRA balances is as reported to Management throughout the year except that:

- it excludes depreciation, which is included as an adjustment between funding and accounting basis
- net income relating to investment property which is reported to Place, is included in other income and expenditure in accordance with generally accepted accounting practices

The other adjustments between accounting and funding basis are not reported to Management during the year but are included in the final year-end outturn report to Corporate Management Board , Corporate Governance and Standards Committee (CGSC) and the Executive.

DRAFT

1b). Notes To The Expenditure and Funding Analysis

Financing and Accounting Adjustments

	Capital and Assets	Pensions	Tax Collection	Other (inc. Recharges)	Total
	£'000	£'000	£'000	£'000	£'000
2022-23					
Community Wellbeing	765	3,287	0	(394)	3,658
Transformation & Governance Place	6,680	947	0	8,842	16,469
Housing Revenue Account	15,728	1,030	0	6,913	23,671
Cost of Services	5,911	398	0	(8,075)	(1,766)
	29,084	5,662	0	7,286	42,032
Other Income and Expenditure from the Expenditure and Funding Analysis	(7,765)	3,213	(9,454)	(29,589)	(43,595)
Total for 2022-23	21,319	8,875	(9,454)	(22,303)	(1,563)

Financing and Accounting Adjustments

	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2021-22					
Community Wellbeing	2,114	4,166	0	0	6,280
Transformation & Governance Place	6,134	1,657	0	0	7,791
Housing Revenue Account	(614)	1,392	0	0	778
Cost of Services	4,853	511	0	0	5,364
	12,487	7,726	0	0	20,213
Other Income and Expenditure from the Expenditure and Funding Analysis	(30,753)	2,940	0	(7,853)	(35,666)
Total for 2021-22	(18,266)	10,666	0	(7,853)	(15,453)

Note 1 - Adjustments for Capital Purposes

Adds in depreciation and revaluation gains and losses in the services line, and for:

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

Note 2 – Net change for the Pensions adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

Note 3 – Other differences

This column adds in the amortisation of intangible software assets and revenue expenditure funded from capital under statute in the services line, and for:

Other operating expenditure	adds in the payment to the government Housing Capital Receipts Pool
Financing and Investment income and expenditure	the statutory transfer of the amount equal to the total depreciation charge for all HRA assets to the Major Repairs Reserve is deducted from other income and expenditure as this is not chargeable under generally accepted accounting practices

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

<p>Taxation and non-specific grant income and expenditure</p>	<p>the charge represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund</p>
---	--

DRAFT

2. Expenditure And Income Analysed By Nature

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

	2022-23 Surplus / Deficit on the Provision of Services	2021-22 Surplus / Deficit on the Provision of Services
	£'000	£'000
Employee benefits expenses	40,995	41,844
Other service expenses	88,608	93,759
Interest payments	5,696	5,112
Depreciation, amortisation, impairment etc.	14,266	2,877
Payments to Housing Capital Receipts Pol	0	692
Precepts and levies	2,029	1,935
IFRS Statutory adjustment	1,841	(1,451)
(Gain)/Losses on the disposal of assets	(431)	(1,126)
Total Expenditure	153,004	143,642
Fees, charges and other service income	(66,164)	(66,966)
Investment Properties changes in fair value	0	0
Income in relation to investment property	(9,158)	(8,169)
Interest receivable and similar income	(3,416)	(1,878)
Council Tax and Non-Domestic Rate income	(12,445)	(7,656)
Grants and Contributions	(42,750)	(71,096)
Gains on the disposal of assets	0	
Total income	(133,933)	(155,765)
Net	19,071	(12,123)

3. Adjustments Between Accounting And Funding Basis Under Regulations

	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2022-23							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Amortisation of Intangible Assets	(859)	(15)				874	0
Charges for depreciation and impairment of non-current assets	(7,182)	(5,779)				13,026	65
Movements in value of Investment Properties	(432)					367	(65)
Disposal of non-current assets	(18)	(4,277)				4,295	0
Capital receipts to Usable Capital Receipts Reserve	169	4,552	(4,721)				0
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	7,334	(179)			(7,155)		0
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0		0				0
Difference between accounting and statutory employment benefit	246					(246)	0
Difference between accounting and statutory credit for Non-Domestic Rates and Council Tax	9,454					(9,454)	0
Revenue Expenditure Financed from Capital under Statute	(14,699)	(118)				14,817	0
Difference between accounting and statutory credit for pension costs	(8,477)	(398)				8,875	0
Reversal of Major Repairs Allowance credited to the HRA		6,427		(6,427)			0
Use of Major Repairs Reserve to finance new capital expenditure				9,588		(9,588)	0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the repayment of debt	1,550					(1,550)	0
Capital expenditure financed from revenue	2,408	13,701				(16,109)	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,847)					1,847	0
Capital expenditure financed from Capital Receipts			3,226			(3,226)	0
Capital expenditure financed from Capital grants and contributions					7,041	(7,041)	0
Total for 2022-23	(12,353)	13,914	(1,495)	3,161	(114)	(3,113)	0

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	General Fund Balance	Housing Revenue Account	Capital Receipts reserve	Major Repairs Reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2021-22							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Amortisation of Intangible Assets	(778)	(26)	0	0	0	804	0
Charges for depreciation and impairment of non-current assets	(7,730)	(4,711)	0	0	0	12,441	0
Excess depreciation over HRA MRA	0		0	0	0	0	0
Movements in value of Investment Properties	9,956	20				(9,976)	0
Disposal of non-current assets	(20)	(6,047)				6,067	0
Capital receipts to Usable Capital Receipts Reserve	984	6,191	(7,175)			0	0
Capital grants and contributions to Capital Grants Unapplied Reserve	12,705	30			(12,735)	0	0
Contributions from the Capital Receipts Reserve to finance new capital expenditure	(910)					910	0
Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(692)	(1)	692			(1,301)	(1,302)
Movement in Donated Assets Account						0	0
Difference between accounting and statutory employment benefit	154					(154)	0
Difference between accounting and statutory credit for Non-Domestic Rates and Council Tax	13,876					(13,876)	0
Revenue Expenditure Financed from Capital under Statute	(9,474)	(136)				9,610	0
Difference between accounting and statutory credit for pension costs	(10,154)	(511)				10,665	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0	0
Reversal of Major Repairs Allowance credited to the HRA		5,865		(5,865)		0	0
Use of Major Repairs Reserve to finance new capital expenditure				8,154		(8,154)	0
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							0
Statutory provision for the repayment of debt	1,381					(1,381)	0
Capital expenditure financed from revenue	1,609	3,824				(5,433)	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	53					(53)	0
Other adjustments							0
Capital expenditure financed from Capital Receipts			4,308			(4,308)	0
Transfer to the Capital Receipts Reserve upon receipt of cash			0			0	0
Capital expenditure financed from Capital grants and contributions					12,965	(12,965)	0
							0
Total for 2021/22	10,960	4,498	(2,175)	2,289	230	(17,104)	(1,302)

General Fund balance

A statutory fund in which all the receipts and expenditure of the Council are accounted. It summarises the resources the Council has to spend on its services or on capital investment at the end of the financial year.

Housing Revenue Account

This reflects the statutory obligation to maintain a revenue account for local authority council housing provision. It contains the balance on income and expenditure that is available to fund future expenditure in connection with the landlord's function.

Capital receipts reserve

This holds the proceeds from the disposal of capital assets which can only be used to fund new capital expenditure or be set aside to fund financial historical capital expenditure (ie debt). The balance is the resources yet to be applied at the end of the year.

Major repairs reserve

The Council is required to maintain a major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance is the resources yet to be applied at the end of the year.

Capital contributions unapplied

This holds the grants and contributions received towards capital projects where the Council has met the conditions that would otherwise require repayment but the money has not yet been spent. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

4. Officers' Remuneration

The following table sets out the remuneration of the council's senior employees for 2022-23. The term 'senior employee' is defined by the Accounts and Audit Regulations 2015 (the 2015 Regulations) as:

- an employee whose salary is £150,000 per year; or
- an employee whose salary is £50,000 or more per year (to be calculated pro rata if employed for fewer than the usual full-time hours) and whose post or role meets certain criteria set out in the 2015 Regulations.

Name & Title (where applicable)	Salary (Inc. fees & Allowances)	Expense Allowance & Benefits in Kind	Com-pensation for loss of office	Employer Pension Contributions	Total Remun-eration inc. pension contributins	Net Cost to Guildford
	£	£	£	£	£	£
Financial Year: 2022-23						
Tom Horwood Joint Chief Executive (from 1/12/2021)	158,610	0	0	26,768	185,378	92,689
Strategic Director ¹ (to 30/09/2022)	182,080	0	0	9,732	191,812	70,968
Joint Strategic Director ¹ (from 01/08/2022) ²	82,461	0	0	14,183	96,644	48,322
Joint Strategic Director ¹ (from 01/08/2022)	84,820	0	0	14,183	99,003	49,501
Joint Strategic Director ¹ (from 01/08/2022)	84,820	0	0	14,183	99,003	59,661
Executive Head of Finance - S151 Officer (from 01/10/2022) ⁴	47,683	0	0	8,201	55,884	27,942
Director of Resources (s151 Officer) (to 31/07/2022)	31,864	1,771	0	5,230	38,865	38,865
Director of Service Delivery (to 31/07/2022)	34,475	2,745	0	5,930	43,150	43,150
Director of Strategy (to 31/07/2022)	34,475	3,201	0	5,930	43,606	43,606
TOTAL COST	741,288	7,717	0	104,340	853,345	474,704

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Name & Title (where applicable)	Salary (Inc. fees & Allowances)	Expense Allowance & Benefits in Kind	Com-pensation for loss of office	Employer Pension Contributions	Total Remun-eration inc. pension contributins	Net Cost to Guildford
	£	£	£	£	£	£
Financial Year: 2021-2022						
Managing Director (to 31/12/2021)	107,195	7,050	403,894	17,950	536,089	530,513
Joint Chief Executive (from 1/12/2021)	50,000	0	0	8,600	58,600	29,300
Director of Service Delivery	102,946	5,629	0	17,707	126,282	126,282
Director of Resources (s151 Officer)	103,773	5,469	0	17,618	126,860	126,860
Director of Strategy	106,100	4,932	0	17,605	128,637	128,637
Audit and Performance Manager (to 02/07/2021)	22,854	488	83,005	0	106,347	106,347
TOTAL COST	492,868	23,568	486,899	79,480	1,082,815	1,047,939

¹From 1 December 2021 the Chief Executive post at Waverley Borough Council and the Managing Director post at Guildford Borough Council were replaced with a new post of Joint Chief Executive for Waverley Borough Council and Guildford Borough Council. The Joint Chief Executive is contractually employed by Waverley Borough Council, however the costs are shared 50/50 with Guildford Borough Council. The above "Total Remuneration including pension contributions" represents 100% of Joint Chief Executive's remuneration for 2022/23. From 1 August 2022 the Strategic Director posts at Waverley Borough Council and Guildford Borough Council were replaced with three new Joint Strategic Director posts. The Joint Strategic Directors are contractually employed by Waverley Borough Council, however the costs are shared with Guildford Borough

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Council. This is reflected in the "Net cost to GBC" column.

² The salary for the Strategic Director and one of the Joint Strategic Director posts has been split in the above senior officers table but has been combined in the remuneration banding table at the top of the page as these roles have been occupied by the same employee.

³ This includes a redundancy payment shown in the exit packages note

⁴ From 1 October 2022 Head of Service posts at Waverley were replaced with Joint Executive Head of Service posts shared across Waverley and Guildford Borough Council. The "Total Remuneration including pension contributions" represents the cost of the Executive Head of Finance salary and pension costs from 1 October, this post holder is the S151 officer for both authorities. The cost of this post is shared with Guildford and this is reflected in the "Net cost to GBC" column.

DRAFT

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The Council’s other employees receiving more than £50,000 remuneration for the year, which includes termination payments but excludes employer’s pension contributions, were paid the following amounts:

Salary band	2022/23	2021/22
£50,000 - 54,999	33	26
£55,000 - 59,999	23	15
£60,000 - 64,999	10	8
£65,000 - 69,999	6	9
£70,000 - 74,999	5	3
£75,000 - 79,999	2	4
£80,000 - 84,999	1	1
£85,000 - 89,999	0	-
£90,000 - £94,999	1	-
£95,000 - £99,999	0	-
>£100,000	3	6
	<u>84</u>	<u>72</u>

Benefits Payable during Employment

Short-term (<12 months) employee benefits include wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (for example cars). These are recognised in the year in which employees provide service to the council and charged to the service line in the CIES.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. It is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

5. 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. They are charged on an accruals basis to the appropriate service in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the GF Balance to be charged with the amount payable by the Council, not the amount calculated according to the relevant accounting standards. Notional amounts for pension enhancement termination benefits are reversed in the MIRS and replaced with the cash paid and payable but not yet paid in the year.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

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

Banding	2022-23				2021-22			
	Number of exit packages			Cost	Number of exit packages			Cost
	Compuls. Redund.	Other departures	Total exit packages	Total £'000	Compuls. Redund.	Other departures	Total exit packages	Total £'000
£0 - £20,000	3	0	3	18	8	2	10	143
£20,001 -	0	0	0	0	7	1	8	458
£40,000 £40,001	1	0	0	53	5	0	5	629
£60,000 £60,001	2	0	0	151	0	2	2	272
£80,000 £80,001	0	0	0	0	1	0	1	451
£100,000 £100,001	0	0	0	0	1	0	1	109
£150,000								
Total	6	0	3	222	22	5	27	2,062

Payments shown in respect of redundancies include both redundancy payments and additional amounts paid to the Pension Fund, where

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

applicable.

Payments made in respect of other departures agreed include voluntary redundancies, contractual obligations and discretionary payments, relating to people who have left the Council's employment in the interests of efficiency of the service.

DRAFT

6. Related Parties

The Council is required to disclose material transactions with related parties (bodies or individuals) that have the potential to control or influence the Council or to be controlled or influenced by the Council.

UK Central Government

UK Central Government has significant influence over the general operations of the Council – it provides the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example council tax bills, housing benefits). Grants received from Government departments are set out in note 10.

Councillors and Officers

Councillors have direct control over the Council's financial and operating policies.

- The Council paid grants totalling £1,055,793 (£1,211,002 in 2021-22) to voluntary organisations in which a number of elected councillors and officers had an interest or were acting as a nominee.
- Of that, the Council paid grants totalling £1,032,793 (£1,193,479 in 2021-22) to voluntary organisations in which a number of councillors and officers were acting as a Borough Council nominee.
- The Council gave support totalling £275,000 (£409,755 in 2021-22) to the Citizens Advice Bureau in which two councillors had an interest and one councillor was acting as Borough Council nominee. In all instances, the grants were made with proper consideration of declarations of interest and the relevant councillors, although able to take part in any discussion relating to these grants, were excluded from voting.
- The Council paid a grant of £13,000 (£12,423 in 2021-22) to a voluntary organisation in which one senior officer and one councillor declared an interest, and had no part in the decision to award the grant.

The Council controls North Downs Housing Limited and its parent company Guildford Borough Council Holdings Limited through its ownership of 100% of the shares of Guildford Borough Council Holdings Limited.

The Council invests in North Downs Housing Limited through a mixture of share equity (40%) and a 25-year secure variable rate loan (60%) at initial interest rate of Bank of England base rate plus 5%. The finance is used to purchase residential property within the borough.

At 31 March 2023, the Council had invested a total of £25.3 million (£22.83 million, in 2021-22) in North Downs Housing, maintaining the funding ratio of loan to equity investment of 60:40. Shares in the parent company, Guildford Borough Council Holdings Limited, at 31 March 2023 totalled £10.2million (£9.15 million in 2021-22), with the company continuing to own 100% of the share capital of North Downs Housing Limited.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The Council provides property repair and management services to North Downs Housing Limited. During 2022-23, these services totalled £271,000 (£495,708 in 2021-22), of which £238,000 was unpaid at 31 March 2023 (2022: £66,529).

7. Councillors' Allowances

This shows the amounts paid to Councillors in the year. The amount paid to each councillor is published on the Council's website, at

<https://www.guildford.gov.uk/article/18872/Councillors-allowances>

	2022/23	2021/22
	£'000	£'000
Basic Allowance	374	360
Special Responsibility Allowance	113	107
Mileage and Subsistence		
Total	487	467

8. Defined Pension Benefit

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme administered by Surrey County Council. Most of the Council's employees are members. The scheme provides defined benefits (retirement lump sums and pensions) to members that they have earned as Council employees. It is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets in the long term.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Board of Surrey County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Board and consist of eleven investment fund managers plus private equity fund managers.

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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The scheme is a multi-employer plan. Employers are required by regulation to meet the minimum contributions as set out in the Rate and Adjustments Certificate for the relevant actuarial valuation. For 2022-23 this would be the valuation carried out as at March 2022.

If another entity was to be unable to meet required funding commitments to the Fund and no suitable guarantee was available, either in the form of a bond or a charge on assets or a parent organisation, then any deficit would be spread across existing fund employers.

If the Council were to withdraw from the scheme, the fund actuary would carry out a cessation valuation to calculate its plan liabilities and assets. Any deficit on this valuation would need to be recovered through a final contribution to the fund. Any surplus would not be recoverable.

Transactions Relating to Post-employment Benefits

The Council's participation in the Local Government Pension Scheme is accounted for as a defined benefits scheme.

- the liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- liabilities are discounted to their value at current prices, using a discount rate of 2% (based on the indicative rate of return on high quality corporate bond over a range of periods).
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value using the following bases:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

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

- Service cost comprising:
 - current service cost - the increase in liabilities as result of years of service earned this year – allocated in the CIES to the services for which the employees worked

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES, within the Resources Directorate.
- net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the FIE line in 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 the net interest on the net defined benefit liability) – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Surrey County Council Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the GF 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 MIRS, 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 GF 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. These are unfunded defined benefit arrangements under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

pension payments as they eventually fall due. They are accounted for using the same policies as are applied to the Local Government Pension Scheme.

We recognise 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 MIRS.

The following transactions have been made in the CIES and the GF Balance via the MIRS during the year:

	2022-23 £'000	2021-22 £'000
Comprehensive Income and Expenditure Statement		
Current Service Cost	9,296	11,009
Past Service Cost	0	639
Cost of Services	<u>9,296</u>	<u>11,648</u>
Net interest expense	<u>3,214</u>	<u>2,940</u>
Financing and Investment Income and Expenditure	<u>3,214</u>	<u>2,940</u>
Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	<u>12,510</u>	<u>14,588</u>
Remeasurement of the net defined benefit liability	<u>104,609</u>	<u>37,639</u>
Total Comprehensive Income and Expenditure Statement	<u><u>117,119</u></u>	<u><u>52,227</u></u>
Movement in Reserves Statement		
Reversal of items charges relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	12,510	14,588
Employers pension contributions	<u>(3,635)</u>	<u>(3,923)</u>
Total taken to Note 3	<u><u>8,875</u></u>	<u><u>10,665</u></u>

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Pension Assets and Liabilities Recognised in the Balance Sheet The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

	2022-23	2021-22
Reconciliation of Fair Value of Employer Assets (scheme Assets):	£'000	£'000
Value of Assets at 1 April	244,844	231,846
Effect of settlements	0	
Interest income on plan assets	6,563	4,609
Contributions by Members	1,360	1,462
Contributions by the Employer	3,635	3,923
Return on assets excluding amounts recognised in Other Comprehensive Income	(11,597)	10,859
Admin expenses	0	0
Benefits Paid	(8,193)	(7,855)
	<u>236,612</u>	<u>244,844</u>
	2022-23	2021-22
Reconciliation of Defined Benefit Obligation (scheme Liabilities):	£'000	£'000
Value of Liabilities at 1 April	(361,128)	(375,104)
Current Service Cost	(9,296)	(11,009)
Past Service Cost	0	(639)
Interest Cost	(9,777)	(7,549)
Contribution by Members	(1,360)	(1,462)
Actuarial Gains and (Losses):		
Change in demographic assumptions	7,714	1,838
Change in financial assumptions	131,024	25,607
Other experience gains and (losses)	(22,532)	(665)
Benefits Paid	8,193	7,855
	<u>(257,162)</u>	<u>(361,128)</u>
	<u>(20,550)</u>	<u>(116,284)</u>
Net Liability at 31st March		

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Asset Category	31 March 2023		31 March 2022	
	Total	% of total assets	Total	% of total assets
	£'000	%	£'000	%
Equity Securities	21,106	8.90%	21,886	8.90%
Debt Securities	-	0.00%	8,149	3.30%
Private Equity	33,508	14.20%	24,062	9.80%
Real Estate	14,258	6.00%	14,988	6.10%
Investment Funds and Unit Trusts	163,416	69.10%	170,589	69.70%
Derivatives	- 631	-0.30%	- 992	-0.40%
Cash and Cash Equivalents	4,954	2.10%	6,162	2.50%
Total	236,612	100%	244,844	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels etc. The County Council fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The Actuary has prepared the figures by applying a 'roll-forward' approach to the last formal valuation, which was as at 31 March 2022. The main financial assumptions used in their calculation have been:

	2022-23	2021-22
Mortality assumptions:		
Mortality age rating assumptions (Life expectancy from the age of 65 years)		
Men	21.9	22.1
Women	24.8	24.5
Future pensioners retiring in 20 years		
Men	22.6	23.1
Women	26.2	26.2
	2022-23	2021-22
Rate of CPI inflation	3.0%	3.2%
Rate of increase in salaries	4.0%	4.1%
Rate of increase in pensions	3.0%	3.2%
Rate for discounting scheme liabilities	4.8%	2.7%

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

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 analyses 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.

Sensitivity analyses on the Present Value of the Defined Benefit Obligation

Adjustments made to:	Approximate %	Approximate Monetary amount
	Increase to Employer	£'000
Discount rate (decrease by 0.1%)	2%	4,410
Long Term salary increase (increase by 0.1%)	0%	414
Pension increases (increase/decrease by 0.1%)	2%	4,061
Life expectancy assumptions (increase by 1 year)	4%	10,286

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the Actuary has estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3% to 5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The triennial valuation carried out as at 31 March 2023 applies from 1 April 2024.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service pension schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £21 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

9. External Audit Cost

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors Grant Thornton UK LLP:

	2022/23 £'000	2021/22 £'000
External audit services	84	95
Fees payable for certification of grant claims	43	71
Other services	1	0
	<u>128</u>	<u>166</u>

10. Grant Income

Government grants, third party contributions and donations are recognised as due to the Council when it is reasonable to conclude that:

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

Amounts are recognised credited to the CIES when conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Where conditions have not been satisfied, grants and contributions are carried in the Balance Sheet as creditors. When conditions are satisfied grants and contributions are credited to the CIES:

- attributable revenue grants and contributions are credited to the relevant service line
- non-ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income.

Where capital grants and contributions are credited to the CIES, they are reversed out of the GF Balance in the MIRS. Where a contribution has yet to be used to finance capital expenditure, it is posted to the Capital Contributions Unapplied reserve. Where a grant or contribution has been applied, it is posted to the Capital Adjustment Account. Amounts in the

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Capital Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where it is uncertain whether a grant or contribution will be used for capital or revenue purposes, the grant will be credited to an earmarked reserve.

The Council credited the following grants, contributions and donations to the CIES.

	2022-23	2021-22
	£'000	£'000
DWP benefits subsidy - Rent Allowance	(11,763)	(13,006)
DWP benefits subsidy - Rebate	(9,802)	(11,269)
Housing Benefits Administration Grant	(318)	0
Council Tax Energy Rebate	(4,942)	0
COVID-19	(32)	(19,678)
Homelessness	(940)	0
Other Grants and Contributions	(3,573)	(2,083)
Daycare and other social services		(962)
Total within Cost of Services	(31,370)	(46,998)
<i>Revenue</i>		
Revenue Support Grant	(202)	0
New Burden Grant	(15)	(9)
New Homes Bonus	(766)	(192)
Section 31 Grant Income	(3,242)	(10,270)
COVID-19	0	(892)
<i>Capital</i>	(7,155)	(12,735)
Total within Taxation and non-specific grant income	(11,380)	(24,098)
Total income from grants and contributions	(42,750)	(71,096)

11. Movements in Earmarked Reserves

The Council sets aside specific amounts from the GF and HRA as Earmarked Reserves for future policy purposes or to cover contingencies.

	Balance at 31 March 2021 re- stated	Transfers out	Transfers in	Balance at 31 March 2022 re- stated	Transfers out	Transfers in	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Election Costs Reserve	(157)	1	(62)	(218)	37	(85)	(266)
Interest Rate Movements	(1,197)	146	0	(1,051)	1,051	0	0
Parish Councils Cfga Reserve	(78)	9	(6)	(75)	97	(22)	0
HIs Reserve	(180)	20	(40)	(200)	9	(40)	(231)
New Homes Bonus	(747)	918	(192)	(21)	787	(766)	0
Carried Foward Items	(552)	0	0	(552)	27	(345)	(870)
Collection Fund Balance	(150)	0	0	(150)	150	0	0
Insurance	(976)	0	(17)	(993)	493	0	(500)
Invest To Save	(2,419)	1,862	(250)	(807)	807	0	0
Salix Reserve	(465)	84	(16)	(397)	138	(55)	(314)
It Renewals	(544)	717	(1,577)	(1,404)	2,199	(1,200)	(405)
Labgi Grant	(215)	0	0	(215)	215	0	0
Spectrum	(2,011)	271	(193)	(1,933)	1,356	(196)	(773)
Car Parks Maintenance	(3,566)	648	(63)	(2,981)	1,006	0	(1,975)
Land Charges	(23)	0	(82)	(105)	105	0	0
Park & Ride	(1,650)	0	0	(1,650)	1,650	0	0
Ash Manor Renewals	(3)	0	0	(3)	3	0	0
Ash Manor Facilities Developmt	(3)	0	0	(3)	3	0	0
Pension Reserve (GBC)	(975)	0	0	(975)	975	0	0
G Live Sinking Fund	(110)	0	(10)	(120)	0	(10)	(130)
Leisure Management Contract	(46)	0	0	(46)	46	0	0
Family Support Programme	(49)	0	(370)	(419)	490	(71)	0
Local Plan	(234)	0	0	(234)	234	0	0
Salix Admin Reserve	(34)	0	0	(34)	34	0	0

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	Balance at 31 March 2021 re- stated	Transfers out	Transfers in	Balance at 31 March 2022 re- stated	Transfers out	Transfers in	Balance at 31 March 2023
Cont'd	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Energy Management Schemes	(173)	0	(25)	(198)	198	0	0
Preventing Homelessness	(751)	0	(81)	(832)	967	(135)	0
Preventing Repossession	(621)	0	0	(621)	621	0	0
Civil Parking-Gbc/Glc Shared	0	240	(238)	2	0	(2)	0
Business Rates Equalisation	(22,760)	10,211	0	(12,549)	11,598	(1,980)	(2,931)
Job Evaluation	(300)	300	0	0	0	0	0
Masterplan	(194)	194	0	0	0	0	0
SPA Reserve - Effingham	(2,434)	1	(462)	(2,895)	0	(659)	(3,554)
SPA Reserve - Riverside Park	(900)	2	(69)	(967)	5	(39)	(1,001)
SPA Reserve - Chantry Wood	(4,418)	44	(897)	(5,271)	122	(1,198)	(6,347)
SPA Reserve - Lakeside	(536)	2	(1)	(535)	5	(8)	(538)
SPA Reserve - Parsonage Water	(1,905)	0	(2)	(1,907)	0	(242)	(2,149)
Community Centres	(115)	0	0	(115)	115	0	0
Capital Movements Reserve	(333)	0	0	(333)	333	0	0
Investment Property Rent	(77)	0	0	(77)	77	0	0
Budget Pressures	(118)	0	(620)	(738)	738	0	0
Civil Parking - Gbc Control	(327)	0	(35)	(362)	373	(11)	0
Taxi Licensing reserve	1	258	(77)	182	0	(182)	0
Project Aspire	(73)	4	0	(69)	69	0	0

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Cont'd	Balance at 31 March 2021 re- stated	Transfers out	Transfers in	Balance at 31 March 2022 re- stated	Transfers out	Transfers in	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Preventing Homelessness	(751)	0	(81)	(832)	967	(135)	0
Preventing Repossession	(621)	0	0	(621)	621	0	0
Civil Parking-Gbc/Glc Shared	0	240	(238)	2	0	(2)	0
Business Rates Equalisation	(22,760)	10,211	0	(12,549)	11,598	(1,980)	(2,931)
Job Evaluation	(300)	300	0	0	0	0	0
Masterplan	(194)	194	0	0	0	0	0
SPA Reserve - Effingham	(2,434)	1	(462)	(2,895)	0	(659)	(3,554)
SPA Reserve - Riverside Park	(900)	2	(69)	(967)	5	(39)	(1,001)
SPA Reserve - Chantry Wood	(4,418)	44	(897)	(5,271)	122	(1,198)	(6,347)
SPA Reserve - Lakeside	(536)	2	(1)	(535)	5	(8)	(538)
SPA Reserve - Parsonage Water	(1,905)	0	(2)	(1,907)	0	(242)	(2,149)
Community Centres	(115)	0	0	(115)	115	0	0
Capital Movements Reserve	(333)	0	0	(333)	333	0	0
Investment Property Rent	(77)	0	0	(77)	77	0	0
Budget Pressures	(118)	0	(620)	(738)	738	0	0
Civil Parking - Gbc Control	(327)	0	(35)	(362)	373	(11)	0
Taxi Licensing reserve	1	258	(77)	182	0	(182)	0
Project Aspire	(73)	4	0	(69)	69	0	0

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Cont'd	Balance at 31 March 2021 re- stated	Transfers out	Transfers in	Balance at 31 March 2022 re- stated	Transfers out	Transfers in	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
BR Covid discount	(816)	10,765	(11,252)	(1,303)	1,304	0	1
Refugee Support	(180)	0	(67)	(247)	0	(147)	(394)
Community Housing Fund	(61)	0	0	(61)	61	0	0
Planning Policy Reserve	(50)	0	0	(50)	50	0	0
Safer Guildford Partnership Reserve	0	0	(16)	(16)	0	(11)	(27)
MTFP Reserve	0	0	0	0	0	(6,087)	(6,087)
Business Rates - New Burdens Ongoing	0	0	0	0	0	(330)	(330)
Total	(53,525)	26,697	(16,720)	(43,548)	28,548	(13,821)	(28,821)
HRA							
Capital Programme	(38,329)		(2,500)	(40,829)	10,719	(7,795)	(37,905)
New Build	(59,772)	3,825	(7,840)	(63,787)	2,981	0	(60,806)
Total	(98,101)	3,825	(10,340)	(104,616)	13,700	(7,795)	(98,711)
Grand Total	(151,626)	30,522	(27,060)	(148,164)	42,248	(21,616)	(127,532)

- Earmarked
- Reserves are created by appropriating amounts out of the GF or HRA in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the relevant service in that year in the CIES. The expenditure is then appropriated back into the GF or HRA in the MIRS.

This note sets out:

- the amounts set aside from the GF and HRA balances in earmarked reserves to provide financing for future expenditure plans and
- the amounts posted back from earmarked reserves to meet GF and HRA expenditure.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Reserve	Purpose of reserve as at 31/03/2023
Election Reserve	Set up to manage timing differences for Council funded elections.
His Reserve	Natural England grants towards parks and countryside schemes
Carried forward items reserve	Cover cost of Interim Finance and due diligence
Insurance reserve	Insurance excess reserve, can be released if insurance is transferred to LB Sutton
Salix Reserve	Match Funding for Salix (Carbon Trust) match funding grants
IT renewals	Receives repayments from services to fund expenditure as set out in the Council's Information and Communication Technology (ICT) strategy
Spectrum	Unplanned maintenance and repairs
Car parks maintenance	Used to fund repairs, maintenance and improvements in the Council's off street car parks
G-live sinking fund	Required by G live operating agreement
Business rates equalisation	To be used as appropriate to smooth out the effects of the Business Rates Retention Scheme, including those related to regeneration projects
Special Protection Area (SPA) sites	Set up to hold s106 income received in relation to various SPA sites
Refugee Support	Carry forward of Government Ukrainian Refugee support funding
Safer Guildford partnership	Partnership working with Police
MTFP Reserve	Amalgamation of smaller reserves
Business Rates – New Burdens Ongoing	Debt recovery capacity funding
HRA capital programme	Available to fund HRA capital expenditure in future years
HRA new build	To fund the building and acquisition of new Council homes

12. Property, Plant And Equipment (PP&E)

Definition

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used for more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of PP&E is capitalised if it is probable that the item of PP&E will generate future economic benefits and/or service potential.

Expenditure that does not enhance an asset such as repairs and maintenance expenditure is not capitalised and is charged to the CIES as an expense when it is incurred.

Measurement

PP&E assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of any future decommissioning costs that will be necessary such as dismantling an item or restoring a site upon which the asset it is located.

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

- infrastructure, community assets and assets under construction - historical cost (depreciated as appropriate)
- council dwellings - current value, determined using the existing use value for social housing
- surplus assets – current value, determined using fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are credited to the Revaluation Reserve unless there has been a previous reduction in valuation that has been charged to the Surplus or Deficit on Provision of

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Services line in the CIES. Where such a charge has been made, the increase in valuation is credited to the Surplus or Deficit on Provision of Services (up to the amount that had previously been charged).

Decreases in value are charged:

- to the Revaluation Reserve, where there is a balance in the Revaluation Reserve of revaluation gains for the asset
- where there is no balance in the Revaluation Reserve or an insufficient balance, to 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 and losses that arose prior to 1 April 2007 have been transferred to the Capital Adjustment Account.

Revaluations

The Council carries out a rolling programme that ensures that all PP&E required to be measured at current value is revalued at least every five years. All of our council dwellings and a proportion of our other operational properties were revalued by the Valuation Office Agency and Bruton Knowles Limited, chartered surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council dwellings were revalued as at 31 January 2023 and other property as at 31 January 2023. The assets were inspected between October 2022 and January 2023 and the valuer assumed, where relevant, that the properties valued will continue to be in the occupation of the Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Any property, regarded by the Council as surplus and therefore non-operational, is valued at fair value, based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the property being categorised at Level 2 in the fair value hierarchy.

All assets of the same type, e.g. car parks, are generally revalued together in one year. We check that there are no material trends in the revaluations that should be applied to any of our other assets.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report, which also provides assurance that the valuer has reviewed the balance sheet values of the remainder of the Council's property portfolio to give assurance that no class of assets is materially misstated.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not an apportioned valuation of the portfolio valued as a whole.

The following statement shows the progress of the Council's rolling programme for the revaluation of PP&E assets:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community	AUC	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	13,087	30,270	11,592	7,846	34,432	0	97,227
Valued at current value as at:								
31-Mar-23	604,430	174,682	-				4,935	784,047
31-Mar-22	-	17,429	-			10776	-	28,205
31-Mar-21	-	9,332	-				-	9,332
31-Mar-20	-	10,398	-				-	10,398
31-Mar-19	-	32,321	-				-	32,321
Total Cost or Valuation	604,430	257,249	30,270	11,592	7,846	45,208	4,935	961,530

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 charged to the Revaluation Reserve, where there is a balance in the Revaluation Reserve of revaluation gains for the asset
 - where there is no balance in the Revaluation Reserve or an insufficient balance, to 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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell and is no longer subject to a depreciation charge. Gains in fair value are recognised only up to the amount of any previously recognised losses.

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.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

When an asset is disposed of (or decommissioned), the carrying amount of the asset in the Balance Sheet (whether PP&E or Assets Held for Sale) is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the CIES also as part of the gain or loss on disposal (that is 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.

Disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the GF Balance in the MIRS.

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

Depreciation

Depreciation is provided for on PP&E assets that are available for use by charging their depreciable amounts over their useful lives on a straight-line basis.

- Assets that do not have a determinable finite useful life (such as freehold land) and assets that are in the course of construction (and therefore not yet available for use) are not depreciated.
- Where an item of PP&E has major components where the cost is significant in relation to the total cost of the item, and where it is necessary to ensure materially correct depreciation charges, the components are depreciated separately. The Council's policy is to consider for componentisation all assets (excluding land) with a value greater than £1 million and where the component(s) comprise more than 20% of the value of the asset.
- Revaluation gains are 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.

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

- Council Dwellings – 60 years
- Other Land and Buildings – 5 to 60 years (as estimated by the valuer)
- Vehicles, Plant, Furniture and Equipment – 3 to 30 years (as advised by a suitably qualified officer)
- Infrastructure – 5 to 60 years (as advised by a suitably qualified officer)

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Assets under construction

Assets that are transferred to under construction in year, may carry a depreciation charge in the year of transfer for the time it was an operational asset.

Depreciation will not be chargeable while assets are under construction

When assets are constructed, they will be moved to their relevant category, and will then start to be depreciated. These assets will be revalued the year after they become operational.

	Council Dwellings	Land & Buildings	Vehicles Plant etc.	Infra-structure	Commun. Assets	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
Opening value 1 April 2022	564,047	243,683	30,403	18,872	7,768	26,205	4,768	895,746
Additions	24,467	1,265	526	1,371	77	10,922	0	38,628
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(6,220)	(6,273)	0	0	0	0	(2)	(12,495)
Revaluations to Revaluations Reserve	26,487	16,576	0	0	0	0	(429)	42,634
Revaluations to (Surplus)/Deficit	538	1,455	0	0	0	0	0	1,993
Derecognition - disposals	(4,307)	0	(660)	0	0	0	0	(4,967)
Reclassified within PPE categories	0	0	0	(8,653)	0	8,653	0	0
Value 31 March 2023	605,012	256,706	30,269	11,590	7,845	45,780	4,337	961,539
Cumulative Depreciation:								
Opening value 1 April 2022	(994)	(9,824)	(23,371)	(5,776)	(46)	(600)	598	(40,013)
Charge for the year	(6,321)	(6,621)	(1,704)	(371)	(1)	0	(2)	(15,020)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	6,220	6,273	0	0	0	0	2	12,495
Derecognition - disposals	30	0	642	0	0	0	0	672
Reclassified within PPE categories	0	0	0	427	0	(427)	0	0
Balance 31 March 2023	(1,065)	(10,172)	(24,433)	(5,720)	(47)	(1,027)	598	(41,866)
Net book value 31 March 2023	603,947	246,534	5,836	5,870	7,798	44,753	4,935	919,673

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The prior year comparison is in the table below:

	Council Dwellings	Land & Buildings	Vehicles Plant etc.	Infra-structure	Commun. Assets	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:								
Opening value 1 April 2021	525,185	237,881	30,646	17,113	7,768	7,354	125	826,072
Additions	15,218	865	1,312	1,761	0	17,000	0	36,156
Acc. Depreciation and Impairment written out to Gross Carrying Amount	(4,753)	(4,671)	0	0	0	(600)	(8)	(10,032)
Revaluations to Revaluations Reserve	32,756	9,164	0	0	0	1,877	5,164	48,961
Revaluations to (Surplus)/Deficit	1,154	985	0	0	0	0	85	2,224
Derecognition - disposals	(6,097)	0	(1,533)	0	0	0	0	(7,630)
Reclassified within PPE categories	584	(541)	(22)	(2)	0	574	(598)	(5)
Value 31 March 2022	564,047	243,683	30,403	18,872	7,768	26,205	4,768	895,746
Cumulative Depreciation:								
Opening value 1 April 2021	(32)	(8,369)	(22,629)	(5,138)	(45)	(600)	(8)	(36,821)
Charge for the year	(5,764)	(6,127)	(2,254)	(638)	(1)	0	(2)	(14,786)
Acc. Depreciation and Impairment written out to Gross Carrying Amount	4,753	4,672	0	0	0	0	8	9,433
Acc. Impairment written out to CGA	0	0	0	0	0	0	600	600
Derecognition - disposals	49	0	1,512	0	0	0	0	1,561
Balance 31 March 2022	(994)	(9,824)	(23,371)	(5,776)	(46)	(600)	598	(40,013)
Net book value 31 March 2022	563,053	233,859	7,032	13,096	7,722	25,605	5,366	855,733

Capital Commitments

To follow

13. Heritage Assets

The Council holds various heritage assets, which are held and maintained principally for their contribution to knowledge and culture. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on PP&E. However, some of the measurement rules are relaxed in relation to heritage assets. The Council's heritage assets are accounted for as follows:

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- **Monuments**, including Guildford Castle and Chilworth Gunpowder Mills

These assets are ruins for which it is not possible to obtain a current valuation. They are held on the balance sheet at historical cost, i.e. the cost of capitalised works carried out to preserve the buildings and are not subject to depreciation as they have indefinite lives.

- **the art collection** held at Guildford House Gallery, and **civic regalia** held at the Guildhall

Insurance values have been used as a proxy for fair value. An insurance valuation was carried out by Bonhams 1793 Limited, international auctioneers and valuers as at March 2012. This was based on estimated price of the items if purchased on retail premises. The assets are not depreciated because they have indeterminable lives.

- **various sculptures** and **pieces of artwork** around the Borough

These assets are held on the balance sheet at historical cost and are not subject to depreciation as they have indeterminable lives.

- **the museum collection** held at Guildford Museum

The Council does not consider that reliable cost or valuation information can be obtained for the museum collection because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example when an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 12 in this summary of significant accounting policies.

Reconciliation of the carrying value of Heritage Assets held by the Council

	2022-23	2021-22
	£'000	£'000
Monuments	1,202	1,202
Civic Regalia	1,759	1,759
Art Collection	805	805
Total	<u>3,766</u>	<u>3,766</u>

Civic Regalia

The Council's collection of civic regalia is held at the Guildhall, and includes such items as the mayor's badge, small and large mace and the civic plate.

Art Collection

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The collection is held at Guildford House Gallery comprises more than 550 pieces and small collections. Many objects consist of multiple parts so the number of works comes close to 800. They span more than 250 years and include a plethora of media - oil paintings, watercolours, pastels, etchings, engravings, prints, textiles, ceramics, sculpture and glass.

The Heritage Services Collections Development Policy is available from the Council's Heritage Manager.

Museum Collections

Guildford Museum works with local people and other partners to collect, record and care for the Borough's heritage and to promote understanding, enjoyment, and engagement with that heritage through access and learning for all. Its collections contain material of local, regional, national and international importance and form a unique cultural asset and resource for Guildford Borough, its people and its visitors.

The heritage asset acquisitions and disposals policies are set out in the published Heritage Service's collections development policy, which the Council reviews every five years. This is a requirement of the national standards scheme for museums, which is managed by Arts Council England. A copy is lodged with other appropriate museums and regional organisations in Surrey and the South East. It is also available on the Council's website.

14. 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.

The value of an investment property is initially measured at cost. Thereafter, it is measured 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. Investment 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 (FIIE) line in the CIES as are any gains or losses on disposal.

Rentals received in relation to investment properties are credited to the FIIE and result in a gain for the GF Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the GF Balance. Accordingly, any gains or losses are reversed out of the GF Balance in the MIRS and posted to the Capital Adjustment Account (revaluations and value of assets disposed of) and the Capital Receipts Reserve (proceeds of disposals greater than £10,000).

The following items of income and expense have been accounted for in the FIIE line in the CIES:

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

2021-22		2022-23
£'000		£'000
(8,169)	Rental income from investment property	(9,158)
	Direct operating expenses arising from investment property	
1,058		1,743
<u>(7,111)</u>	Total	<u>(7,415)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The fair value of the majority of the Council's investment property has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

The total value included in level 3 for 2022-23 is £nil million, the value in 2021-22 was £nil million

There has been no movement in Fair Value in the year

15. Intangible Assets

Expenditure on assets that do not have a physical substance are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost and carried at amortised cost. It is amortised over its useful life to the relevant service line(s) in the CIES.

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of PP&E. The intangible assets only include purchased licences as the Council does not have any significant internally generated software.

All software is given a finite useful life of 5 years based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The movement on the Intangible Asset balance during the year is as follows:

2021-22		2022-23
£'000		£'000
159,108	Balance at start of the year	173,936
4,732	Additions	4,629
0	Disposals	0
0	Net gains/(losses) from fair value adjustments	(367)
10,096	Assets reclassified to Property Plant & Equipment	
<u>173,936</u>	Balance at end of the year	<u>178,198</u>

16. Assets Held For Sale

To follow – paragraph about any HRA properties that were potentially AHFS at balance sheet.

17. Debtors

	31 March 2023	31 March 2022 re-stated
	£'000	£'000
Amounts falling due within one year:		
Central & Local government bodies	7,002	4,606
Other entities and individuals: general	15,047	8,118
Other entities and individuals: CT & NNDR	5,400	14,873
Total short term debtors	<u>27,449</u>	<u>27,597</u>

Description	Balance at 31 March 2022	Advances in the year	Other movements	Balance at 31 March 2023
	£'000	£'000	£'000	£'000
North Downs Housing Company (NDH)	13,718	1,463		15,181
NDH interest	2,383		471	2,854
Car Purchase Loans	201		32	233
Ripley PC loans	0		600	600
Postal Franker Contract Deposit	6			6
Total Long Term Debtors	<u>16,308</u>	<u>1,463</u>	<u>1,103</u>	<u>18,874</u>

18. Short Term Creditors

	31 March 2023	31 March 2022 re- stated
	£'000	£'000
Amounts falling due within one year:		
Central & Local government bodies	(21,563)	(14,956)
Other entities and individuals	(31,790)	(37,485)
Receipts in Advance	(4,800)	(10,560)
Total short term creditors	<u>(58,153)</u>	<u>(63,001)</u>

This includes Receipts in Advance received for Covid-19 grants and Council Tax.

19. Cash And Cash Equivalents

Cash comprises cash in hand and on demand deposits. Cash also includes bank overdrafts that are repayable on demand and that are integral to the Council's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short term, highly liquid (that is callable) investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents consists of the following elements:

	2022-23	2021- 22 re- stated
	£'000	£'000
Cash held by the Council	2	3
Bank current accounts	10,996	1,354
Callable deposits	5,363	35,173
	<u>16,361</u>	<u>36,530</u>

20. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2021-22		2022-23
£000		£000
2,687	Interest received	(3,415)
(4,979)	Interest paid	6,288
<u>(2,292)</u>		<u>2,873</u>

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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

2021-22		2022-23
£000		£000
14,786	Depreciation	15,020
(2,225)	Revaluation gains on Property, Plant & Equipment	(1,994)
806	Amortisation of intangible assets	874
16,247	Increase / (decrease) in creditors	(8,699)
25,037	(Increase) / decrease in debtors	(9,776)
85	(Increase) / decrease in inventories	(213)
10,665	Movement in pension liability	8,875
	Contributions to provisions	0
6,068	Carrying amount of non-current assets sold	4,295
	(Increase) / decrease in investment property value	367
<u>(14,156)</u>	Other adjustments	<u>1,841</u>
57,313		10,590

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

2021-22		2022-23
£000		£000
2,310	Proceeds from short and long-term investments	0
(6,465)	Other items	(7,155)
<u>(15,753)</u>	Proceeds from the sale of non-current assets	<u>(4,726)</u>
(19,908)		(11,881)

21. Provisions

Provisions are created when the Council has an obligation, such as a legal claim against it, that has arisen from a past event and it is probable that the Council will need to settle that obligation. In addition, it is necessary that the obligation can be reliably estimated.

Provisions are charged as an expense to the appropriate service line in the CIES when the Council has an obligation. They are measured at best estimate at the Balance Sheet date, taking into account relevant risks and uncertainties. When payments are made to clear the obligation, they are charged to the provision carried in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year and where necessary revised. If there is a need to increase the provision, the additional amount is charged to the relevant service in the CIES. If, however, the obligation is estimated or ultimately proves to be less than the value of the provision, the excess amount is credited to the relevant service in the CIES.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example 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.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The Council's provisions total £6.8 million (£3.2 million in 2021-22).

	Outstanding legal cases	Business rates appeals	North Downs Housing Interest Provision	Other provisions	Total
	£'000	£'000		£'000	£'000
Balance at 1 April 21	(52)	(4,554)	0	(1,353)	(5,959)
Additional provisions made		(2,624)			(2,624)
Amounts used		4,304		1,059	5363
Unused amounts reversed					0
Balance at 31 March 22	(52)	(2,874)		(294)	(3,220)
Additional provisions made		(4,325)	(2,854)		(7,179)
Amounts used	52	3,218		263	3532.6
Unused amounts reversed					0
Balance at 31 March 23	0	(3,981)	(2,854)	(31)	(6,866)

Outstanding Legal Cases

This relates to search fees, which, subject to legal action, may have to be repaid.

Business rates Appeals

The business rates appeals provision was set up to cover the Council's share of the estimated reduction in business rates collectable due to rating appeals. It was calculated using information provided by the Valuation Office Agency about outstanding appeals, and our historical knowledge of the likely success rate of these appeals. An additional £10.8 million was added into the reserve and £7.85 million of revaluation list amendments were charged against the provision, but only the Council's 30% share is shown here. The remainder is allocated to Surrey County Council (70%) and is reflected in the balance sheet in the Council's net creditors with them.

Other provisions

All other provisions are individually insignificant.

22. Unusable Reserves

The following table summarises the unusable reserves (i.e. non-cash reserves) held by the council, with more detail for each reserve below.

	Balance 1 April 2021	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2022
	£'000	£'000	£'000	£'000
Revaluation Reserve	(251,332)	(48,962)	6,138	(294,156)
Capital Adjustment Account	(395,548)		(19,405)	(414,953)
Deferred capital receipts	0	0	0	0
Pensions Reserve	143,258	(37,639)	10,665	116,284
Collection Fund Adjustment Account	24,755	0	(14,429)	10,326
Accumulated Absences Account	686	0	(154)	532
Financial instruments adjustment account	(1,658)	0	(53)	(1,711)
Total for 2021-22	(479,839)	(86,601)	(17,238)	(583,678)

	Balance 1 April 2021	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2022
	£'000	£'000	£'000	£'000
Revaluation Reserve	(294,156)	(42,634)	6,485	(330,305)
Capital Adjustment Account	(414,953)	0	(10,620)	(425,573)
Deferred capital receipts	0	0	0	0
Pensions Reserve	116,284	(104,609)	8,875	20,550
Collection Fund Adjustment Account	10,326	0	(9,454)	872
Accumulated Absences Account	532	0	(246)	286
Financial instruments adjustment account	(1,711)		1,847	136
Total for 2022-23	(583,678)	(147,243)	(3,113)	(734,034)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PP&E. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	2022-23	2021-22
	£000	£000
Balance 1 April	(294,156)	(251,332)
Comprehensive Income & Expenditure:		
Net Gain on revaluation of assets	(42,634)	(48,962)
Accounting / Financing Adjustments:		
Other movements		
Accumulated gains on assets sold or scrapped	1,312	
Depreciation charged to Revaluation Reserve	5,173	6,138
Balance 31 March	(330,305)	(294,156)

Financial Instruments reserve

This reserve contains the gains made by the Council arising from increases in its value of investments classified as Fair Value through Profit and Loss (FVPL) which are eligible for the governments Statutory Override.

	2022-23	2021-22
	£000	£000
Balance 1 April	(1,711)	(1,658)
Accounting / Financing Adjustments:		
Difference between accounting and statutory valuation	1,847	(53)
Balance 31 March	136	(1,711)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES. 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.

The account also contains revaluation gains accumulated on PP&E before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	2022-23	2021-22
	£000	Re-stated £000
Balance 1 April	(414,953)	(395,548)
Accounting / Financing Adjustments:		
Write down Intangible Assets	874	806
Depreciation	15,020	14,785
Revaluations and impairment of non-current assets	(2,059)	(2,225)
Movements in value of Investment Properties	432	(10,097)
Gain or (loss) on sale of non-current assets	2,983	6,068
Revenue Expenditure Financed from Capital under Statute - Expenditure	14,817	10,030
Revenue Expenditure Financed from Capital under Statute - Income	0	
Capital expenditure financed from revenue	(16,109)	(5,433)
Capital expenditure financed from Capital Receipts	(3,226)	(4,701)
Capital expenditure financed from Capital grants and contributions	(7,041)	(12,966)
Use of the Major Repairs Reserve to finance new capital expenditure	(9,588)	(8,153)
Minimum Revenue Provision	(1,550)	(1,381)
Depreciation charged to Revaluation Reserve	(5,173)	(6,138)
Balance 31 March	<u>(425,573)</u>	<u>(414,953)</u>

Pensions Reserve

This 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 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.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	2022-23	2021-22
	£000	£000
Balance 1 April	116,284	143,258
Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability	(104,609)	(37,639)
Accounting / Financing Adjustments:		
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on provision of services		
Employer's pension contributions and direct payments to pensioners payable in the year	8,875	10,665
Balance 31 March	<u>20,550</u>	<u>116,284</u>

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 tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the GF from the Collection Fund.

	2022-23	2021-22
	£000	re-stated £000
Balance 1 April	10,326	24,755
Difference between accounting and statutory credit for Council Tax	(238)	(277)
Difference between accounting and statutory credit for Non-Domestic Rates	(9,216)	(14,152)
Balance 31 March	<u>872</u>	<u>10,326</u>

23. Capital Expenditure and Capital Financing

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 (revenue expenditure funded from capital under statute – REFCUS). Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MIRS from the GF Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	2022-23	2021-22
	£'000	£'000
Opening Capital Financing Requirement 1 April	349,959	326,683
Capital Investment		
Property, Plant and Equipment	38,628	36,139
Investment Properties	4,629	4,732
Intangible assets	652	710
Revenue Expenditure Funded from Capital under Statute (REFCUS)	14,817	9,637
Long Term Debtors	1,010	2,575
Long Term Investments	2,063	1,723
Sources of finance		
Capital receipts	(3,226)	(4,308)
Government grants and other contributions	(7,041)	(12,966)
HRA Major Repairs Reserve	(9,588)	(8,153)
Sums set aside from revenue and reserves	(16,109)	(5,432)
Minimum Revenue provision	(1,550)	(1,381)
Closing Capital Financing Requirement 31 March	<u>374,244</u>	<u>349,959</u>

24. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity. They are recognised on the balance sheet when the Council becomes party to the contractual provisions of the financial instrument.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council. It can be a contractual obligation to deliver cash, financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

They are initially measured at fair value and are subsequently measured and carried on the Balance Sheet at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure (FIIE) line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate 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.

Financial liabilities held at the balance sheet date consist of long-term loans from the Public Works Loan Board (PWLB), bank overdraft and trade payables for goods and services received. For the Councils loans, 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.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The financial liabilities disclosed in the balance sheet are analysed across the following categories:

All non-derivative financial liabilities are carried in the balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- no early repayment or impairment is recognised for any financial instrument
- the fair value of short-term instruments, including trade payables, is assumed to approximate to the carrying amount.
- We have judged that it is appropriate to calculate the fair value of PWLB loans by reference to rates from the local authority bonds market as adjusted for interest rate swap rates available from Bloomberg.

The liabilities for which fair value is not disclosed comprise of short-term financial liabilities that are assumed to be approximate to the carrying amount, including both short-term borrowing and trade payables.

	31 March 2023		31 March 2022	
	Book Value £,000	Fair Value £,000	Book Value £,000	Fair Value £,000
Short Term Creditors - Amortised Cost	(43,774)	(43,774)	(48,901)	(48,901)
Local Authority loans	(115,575)	(115,065)	(133,589)	(133,589)
PWLB Borrowing	(11,659)		(705)	(705)
Liabilities not defined as financial liabilities	(14,380)		(14,100)	
Short Term Financial liabilities at amortised cost	(185,388)	(158,839)	(197,295)	(183,195)
Public Works Loan Board - Amortised Cost	(168,053)	(153,569)	(169,599)	(175,161)
Long Term Liabilities at amortised cost	(168,053)	(153,569)	(169,599)	(175,161)
Total Financial Liabilities	(353,441)	(312,408)	(366,894)	(358,356)

The fair value of long-term PWLB loans held at amortised cost is lower than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans at the balance sheet date.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

There are three classifications for financial assets under the Code of Practice

- amortised cost
- fair value through other comprehensive income
- fair value through profit and loss

Financial assets are classified into these three categories based on the Council's business model for holding the assets and their cash flow characteristics.

Amortised Cost (cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows)

These comprise:

- cash in hand
- bank current and deposit accounts with HSBC Bank PLC
- fixed term deposits with banks and building societies
- loans to other local authorities
- loans to small companies and housing associations
- loans to the Council's subsidiary North Downs Housing Ltd
- covered bonds issued by banks and building societies
- trade receivables for goods and services provided

These financial assets are initially measured at fair value and are subsequently measured and carried on the Balance Sheet at their amortised cost. Annual credits to the FIIE line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the Council's financial assets this means that they are presented in the balance sheet as the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the investment agreement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the FIIE line in the CIES.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument)

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The Council does not currently hold any financial assets with this categorisation.

Fair value through profit and loss_(all other financial assets)

These financial assets comprise:

- money market funds
- pooled funds
- shares in Guildford Holdings Ltd, B4SH and Surrey Save

Details of the Council's investment holdings can be found in the Capital and Investment Outturn Report reported to the Executive

These are initially measured and carried at fair value. Changes in fair value are taken to the CIES within the FIIE line, and are gains and losses recognised in the GF. However, the Government introduced a 5-year statutory override for this impact for pooled funds, whereby the gain or loss in year is reversed out via the MIRS and held in the Financial Instrument Adjustment Account

Shares in Guildford Holdings Ltd, B4SH and Surrey Save are capital expenditure and the impact of fair value gains and losses on the GF is neutralised by a transfer to the Capital Adjustment Account.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the FIIE line in the CIES, and any accumulated gains or losses previously recognised in the Financial Instruments Reserve are transferred back to the GF via the MIRS

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to 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.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The financial assets included in the balance sheet are as follows.

	31 March 2023		31 March 2022 re-stated	
	Book Value	Fair Value	Book Value	Fair Value
	£,000	£,000	£,000	£,000
Investments- Fair value through profit and loss	15,495	15,495	14,979	14,979
Loan to company	18,035	18,035	16,101	16,101
Other Debtors	839	839	207	207
Non-financial assets	10,119		9,153	
Long term Assets	54,086	43,967	74,420	65,267
Investments - Amortised Cost	65,446	65,446	70,358	70,358
Cash and cash Equivalents FVPL	5,363	5,363	35,173	35,173
Cash - Amortised Cost	10,998	10,998	1,357	1,357
Debtors - Amortised Cost	23,151	23,151	20,943	20,943
assets not defined as financial liabilities	4,298		6,656	0
Short term Assets	109,256	104,958	134,487	127,831
Total Financial Assets	163,342	148,925	208,907	193,098

The fair value of short-term financial assets including trade receivables (debtors), and short-term investments as loans and receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to sell off and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. The only item offset on the balance sheet is the bank overdraft, which is shown within cash and cash equivalents. The Council had no other

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments consist of the following items:

	31 March 2023	31 March 2022
	£,000	£,000
Interest expense	5,160	5,112
(Gains)/ losses on revaluation	2,035	(1,077)
Total expense in Surplus/Deficit on Provision of Services	7,195	4,035
Interest income	(3,415)	(1,878)
Other investment income - dividends		
Total income in Surplus/Deficit on Provision of Services	(3,415)	(1,878)
Net (gain)/loss for the year	3,780	2,157

Transaction Costs

Material transactions costs for financial assets and liabilities held at amortised cost are attached to the loan or investment and charged to the CIES over the life of the financial instrument. Immaterial transaction costs are charged in full to the CIES in the financial year in which they are incurred.

25. Nature And Extent Of Risks Arising From Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Finance in Local Authorities (both revised in December 2021).

As part of the adoption of the Treasury Management Code, the Council approves a capital and investment strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces treasury management practices specifying the practical arrangements to follow to manage these risks.

The capital strategy includes an Annual Investment Strategy in compliance with the DLUHC Guidance on Local Government Investments. This Guidance emphasises that priority is

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

given to security and liquidity, rather than yield. The Council's capital strategy, together with its treasury management practices are based on achieving a suitable balance between risk and return or cost.

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 cash available to make contracted payments on time
- market risk – the possibility that an unplanned financial loss might arise as a result of changes in market variables such as interest rates or equity prices.

Credit risk: Investments

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality and in line with the approved capital and investment strategy (the definition of high credit quality is set in the strategy). These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings, or with a credit rating of below A-, where the Council has received independent investment advice. We have set our high credit quality criteria as A-, however we do have allowance in our capital strategy to invest in counterparties below this.

The capital and investment strategy also imposes a maximum sum the Council can invest with a financial institution or group other than the UK government. This is £10 million maximum, of which only £6 million may be on unsecured investments. The Council sets limits on investments in certain sectors. A maximum sum for long-term investments (greater than a year) is also set.

All investments in 2022-23 were in line with the Council's approved capital strategy.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the balance sheet date that this was likely to materialise.

The credit quality of the Council's long-time investments is enhanced by collateral held. This is entirely in the form of covered bonds collateralised by residential mortgages. This collateral significantly reduces the likelihood of the Council suffering a loss on these investments.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Investment type	Credit Rating	Long Term		Short term	
		31-Mar-23 £'000	31-Mar-22 £'000	31-Mar-23 £'000	31-Mar-22 £'000
Covered Bonds	AAA	9,550	12,024	1,850	9,136
Deposits fixed	A-			10,000	15,005
Local authorities	A+				-
Notice Account	A			3,000	5,002
Housing associations	A1				3,011
Housing associations Bonds held in custody	A3 A-				6,012
Local authorities	A+		4,500	50,000	34,672
Guildford Holdings	n/a	10,119	8,418		
Surrey Save Shares	n/a	100	100		
B4SH	n/a	56	10		
Money Market Funds	AAA				31,904
Call Accounts	AA-				2,250
Investment Funds	n/a	15,339	1,970	96	17,237
Total Investments		35,164	27,022	64,946	124,229

Credit Risk: Trade Receivables

The Council does not generally allow credit for customers. The past due amount can be analysed by age as follows:

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	31 March 2023	31 March 2022
	£'000	£'000
less than 6 months	12,079	5,826
Six months to one year	373	1,347
More than one year	3,381	3,311
Total	15,833	10,484

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract. Loss allowances for receivables have been calculated based on historic information. Debts are deemed to be overdue when they are at least 30 days past their due date.

Credit Risk: Loan to Subsidiary Company

No credit loss adjustment has been made on the North Downs Housing Limited loans (shown in long-term debtors):

- to be updated later.

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has access to borrowing facilities via the Public Works Loans Board (PWLB) and other local authorities and at higher rates from banks and building societies and other financial institutions. There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

The Council is exposed to the risk that it will need to refinance a significant proportion of its borrowing at the time of unfavourable interest rates. The Council's strategy is to plan carefully when new loans are taken out and making early repayments where financially advantageous. The risk is also managed by maintaining a spread of fixed rate loans ensuring loans mature at different times.

The Council would only borrow in advance of need where there is a clear business case for doing so.

The maturity analysis of the principal sums borrowed is as follows:

PWLB	31 March 2023	31 March 2022
	£'000	£'000
Short Term Borrowing		
Less than one year	11,659	134,136
Long Term Borrowing		
Between one and two years	10,000	10,318

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Between two and five years	20,000	32,227
Maturing in five to ten years	62,000	58,182
Maturing in more than 10 but not over 15	35,000	25,636
Maturing in more than 15 but not over 20	32,435	32,435
Maturing in more than 45 years	10,800	10,800
Total	181,894	303,734

Other	31 March 2023	31 March 2022
	£'000	£'000
Short Term Borrowing		
Less than one year	115,575	134,136

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

Market risk: Interest rate risk

The Council is exposed to risks arising from movements in interest rates on its borrowing and investments. Movement in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the investments will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the CIES.

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income and Expenditure or the Surplus or Deficit on the Provision of Services as appropriate.

The Capital and Investment Strategy aims to mitigate these risks by setting upper limits for fixed and variable interest rate exposures.

If interest rates had been 1% higher (all other variables being constant) the financial effect across the whole portfolio would be an increase in interest received of approximately £x million, and an increase in interest payable on loans of approximately £y million.

Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. We limit our exposure to pooled property funds to help mitigate this risk.

The Council's investment in a pooled equity fund is subject to the risk of falling share prices.

The gain or loss on pooled funds are now classified as Fair Value through Profit and Loss, and charged to the FIIE line in the CIES, so all movements will have an impact in the year the movement incurred. The Government, however, has implemented a mandatory 5-year statutory override, in that the movement in year can be transferred out to a Financial Instrument Reserve via the MIRS.

26. 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 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.

Council as Lessee

Finance leases

PP&E held under finance leases is recognised on the Balance Sheet at the date of inception of the lease at fair value

PP&E recognised under a finance lease 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.

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore replaced by revenue provision in the GF Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

The Council has acquired a number of assets under finance leases over time. They are

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

included on the Balance Sheet at the following net amounts:

Table to follow

There are no liabilities recorded on the balance sheet because the Council paid premiums at the start of these leases and there are no more payments due.

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense to the services benefitting 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 (for example there is a rent-free period at the commencement of the lease).

Council as Lessor

Finance leases

Where the Council grants a finance lease for an item of PP&E, 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 PP&E or Assets Held for Sale) is written off to the CIES, and any premium received is credited to the CIES, as part of the gain or loss on disposal.

The accounting treatment is the same as for PP&E disposals described in note 12.

The Council has leased out a number of investment properties on finance leases with remaining lease terms of 60 years or more. In each case a premium was paid to the Council by the lessee in order to enter into the lease and there are no future minimum lease payments due.

Operating leases

Where the Council grants an operating lease for an item of PP&E or an investment property, the asset is retained in the Balance Sheet. Rental income is credited to the CIES on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

The Council leases out operational property under operating leases primarily for the provision of social housing and community services such as sports facilities. It also leases out investment property under operating leases.

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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

	31	31
	March	March
	2023	2022
	£'000	£'000
Not later than one year	8,815	6,349
Later than one year and not later than five years	29,823	22,076
Over 5 years	324	309,123
Minimum Lease payments	<u>38,962</u>	<u>337,548</u>

27. Post Balance Sheet Event

A non-adjusting event has occurred after the balance sheet date. This relates to North Downs Housing Limited where a viability assessment has been made by Savills. It is difficult to estimate the financial effect of the assessment at this stage.

28. 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 as a note to the accounts.

MMI update to follow

29. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

The council had no contingent assets.

30. North Downs Housing Ltd

As at 31 March 2023, North Downs Housing Ltd had purchased x properties (2021-22: 81 properties), compared with the original business plan of 100 properties. The Council has invested £25.3 million (2021-22: £22.86 million) in the company through a mix of equity and loan finance.

The net profit for year 2022-23 was £440,212 (2021-22 net loss £453,978). The company

generated a net cash outflow for 2022-23 of £x (2021-22 net cash inflow £484,446).

31. Critical Judgements In Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Although there is a degree of uncertainty about future levels of funding for local government the Council has determined that this uncertainty does not indicate that the assets of the Council might be impaired. The factors taken into account in concluding that the Council continues to be a going concern include our level or reserves, level of committed funding, budget and cash for the coming years, and the lack of proposed local government reorganisation.

In relation to the valuation of the Council's property assets on the balance sheet property markets are mostly functioning again, where there is a quantum of market evidence, but the market is still settling so certain assets in the portfolio are, therefore, are subject to material valuation uncertainty.

The value of PP&E on the Balance Sheet includes the value of certain land and buildings that were not formally revalued during the year under the Council's rolling programme of revaluations. The Council uses critical judgement to determine by how much the value of other land and buildings within PP&E on the Balance Sheet would have to be understated or overstated to mislead a user of the accounts and therefore to require these assets to be formally revalued.

Critical judgement has been used in identifying how assets are classified on the balance sheet. In particular, some assets that we hold to earn rental income are also held for economic development and regeneration purposes. However, as they are not used in the direct delivery of services they have been classified as investment property.

Also, some assets that are held for their historical interest are classified as PP&E rather than heritage assets because they are also used to provide a particular service.

The Weyside Urban Village project is a complex project with many elements and partners. The Council has an agreement with Thames Water and are making payments to them under the development agreement in relation to the moving of the Sewerage Treatment Works. These payments will continue until May 2026.

Critical judgement is also used in classifying our leases as either operating or finance leases.

The Council has determined that a materiality level of £1 million is appropriate for inclusion of accounting policies and disclosure notes in the Statement of Accounts.

32. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

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 risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2022-23 and earlier years, in their proportionate share.</p> <p>A provision of £9.55 million, of which the Council's share is £3.9 million, has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2023. The provision has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date.</p>	<p>If the level of successful appeals varies by 1%, it would increase or decrease the appeals provision by £99,500, which in turn would increase or decrease the deficit on the Collection Fund by the same amount. The Council's share of the increase or decrease would be £39,800, which would increase or decrease the surplus on provision of services in the Comprehensive Income and Expenditure Statement.</p>
Property, Plant and Equipment (PP&E) and Investment property	<p>PPE and investment property are included in the balance sheet at fair value of £920 million and £178 million respectively. Chartered surveyors are engaged to provide expert advice in the assumptions to be applied when carrying out the valuations.</p> <p>Individual items of PP&E are depreciated over estimated useful lives that are partly dependent upon assumptions about the level of repairs and maintenance that will take place.</p> <p>If the Council were not able to</p>	<p>If the valuations were changed by 1%, it would increase or decrease the value of net assets on the balance sheet by around £9.2 million.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>Depreciation costs do not affect the Council's overall financial position as they</p>

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	sustain its level of spending on the repair and maintenance of its assets in the long term the estimated useful life assigned to individual assets would need to be reduced.	form part of the adjustment between accounting basis and funding basis under regulations.
Pensions Liability	Estimation of the net liability to pay pensions of £21 million 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 pension 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 £4.4 million. A 0.1% increase in the salary increase rate would result in an increase in the pension liability of £0.4 million and a 0.1% increase in the Pensions increase rate would result in an increase in the pension liability of £4.061 million.
Debtors	At 31 March 2023, the Council was owed approximately £18.9 million in long term debtors (greater than 12 months) and £27.4 million in short term debtors (due in less than 12 months). A review of significant balances suggested that an allowance for doubtful debts of £1.4 million was appropriate.	If collection rates for trade debtors were to deteriorate, a 50% increase in the amount of doubtful debts would require an additional £0.7 million to set aside as an allowance.

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

The Council is required to disclose information relating to the impact of an accounting change required by a new standard that has been issued, but not yet adopted, in the 2022/2023 financial statements.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

For the 2022/2023 accounts the accounting changes to disclose are in relation to:

- IFRS 16 Leases
- Application of IFRS 16 to PFI/PPP arrangements
- Definition of Accounting Estimates (Amendments to IAS 8) – amendments help to distinguish between accounting policies and accounting estimates
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – amendments provide guidance on the application of materiality judgements to accounting policy disclosures
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – amendments require recognition in company accounts of deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
- Updating a reference to the Conceptual Framework (Amendments to IFRS 3 “Business Combinations”) – amendments update an outdated reference without significantly changing its requirements The accounting changes relating to IFRS 16 will not impact on the Council as the Council has not decided to voluntarily implement IFRS 16 in 2022/2023 or 2023/2024. The other accounting changes detailed above are not anticipated to have a material impact on the financial statements of the Council.

Housing Revenue Account (HRA)

Income And Expenditure Statement

	2022/23 £000	2021/22 £000
Expenditure		
Repairs & Maintenance	8,722	6,079
Supervision & Management	5,816	4,822
Rents, Rates, Taxes & Other Charges	-	-
Depreciation & Impairment of Non-current Assets	6,426	6,028
Amortisation of Intangible Assets	15	-
Revaluation loss (gain) on Dwellings	(649)	(1,174)
Other expenditure	1,131	1,016
Debt Management Costs	165	227
Total Expenditure	21,626	16,998
Income		
Dwelling Rents	(31,141)	(29,177)
Non-dwelling Rents	(1,030)	(1,070)
Charges for Services & Facilities	(1,093)	(2,556)
Supporting People Grant	(80)	(105)
Total Income	(33,344)	(32,908)
Net (Income)/Cost of HRA Services included in the Comprehensive Income & Expenditure Statement	(11,718)	(15,910)
HRA services share of Corporate & Democratic Core	111	298
Net (Income)/Cost of HRA Services	(11,607)	(15,612)
HRA share of operating income & expenditure included in the Comprehensive Income & Expenditure Statement		
(Gain)/Loss on sale of HRA fixed assets	(272)	(3)
Interest Payable and similar charges	4,799	4,880
Interest and Investment Income	(1,107)	(106)
Movement in the provision of bad debts	-	(173)
Capital Grant	179	
(Surplus)/deficit for the year on HRA services	(8,008)	(11,014)

The HRA Income and Expenditure Statement shows the income and expenditure related to providing council dwellings in accordance with generally accepted accounting practices. However, the Council is required to charge rent to cover expenditure in accordance with the legislative framework rather than on an accounting basis. The increase or decrease in the

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

year of the HRA balance on the legislative basis is shown in the Movement on the HRA Statement.

Movement On The Housing Revenue Account (HRA) Statement

The Movement on the HRA Statement shows the increase or decrease in the HRA balance. This forms the basis on which rent levels are set. The statement includes an adjustment line which shows the difference between the surplus (or deficit) shown in the HRA Income and Expenditure Statement (the accounting basis) and the surplus (or deficit) for funding purposes (the legislative basis).

	2022/23	2021/22
	£000	£000
Balance at 1 April	2,500	2,500
<u>Movement in reserves during Year</u>		
Surplus/ (deficit) on provision of services	(8,008)	(10,880)
Other Comprehensive Income & Expenditure	-	
Total Comprehensive Income & Expenditure	(8,008)	(10,880)
Adjustments between accounting basis & funding basis under regulations (note 6 main accounts)	13,914	4,498
Net Increase/ Decrease before Transfers to Earmarked Reserves	(5,906)	(6,382)
Transfers to/from Earmarked Reserves	5,906	6,382
Increase/Decrease in Year	-	-
Balance at 31 March carried forward	2,500	2,500

Notes To The Housing Revenue Account

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, voids amounted to £x or y% of gross rent income from dwellings (£1,500,439 or 5.01% for 2021-22). Average rents were £z per week in 2022-23, a increase of £w over the previous year.

2. Rent Arrears

At 31 March 2023, rent arrears were £1,253,075, (including £499,586 former tenant arrears) or 4.02% of gross rent income. The comparable figures for 2021-22 were £1,142,807 (including £474,501 former tenant arrears) or 3.8% of gross rent income.

The provision for bad debts as at 31 March 2023 as £905,621. The comparable figure for 2021-22 was £938,617.

Amounts written off in the year amounted to £32,996 (£72,113.62 in 2021-22)

3. Housing Stock

The Council was responsible for managing on average 5,243 dwellings in 2022-23, analysed below:

	31-Mar-23	31-Mar-22
	Total Stock	Total Stock
Analysis by Type of Dwelling		
Houses	2,552	2,556
Flats and Maisonettes	317	2,226
Bungalows	2,226	317
Other	210	190
Total Dwellings	5,095	5,289

The changes in stock during the year can be summarised as follows

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Stock as at 1 April	5,289	5,262
Add: New Build, Acquisitions, Conversions etc.	22	-
Deduct: Sales	(20)	(9)
Other adjustments	14	36
	<hr/>	<hr/>
Stock as at 31 March	5,305	5,289

4. Stock Valuation – Balance Sheet Basis

The basis for the balance sheet valuation of the Council's housing stock is Existing Use Value – Social Housing (EUV – SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV – SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The valuation was carried out by Wilks Head and Eve, Chartered Surveyors. The date of the valuation was as at 31 January 2023.

The balance sheet value increases where new dwellings and properties are built or acquired and when capital works that improve or significantly enhance the value of the assets are carried out. The balance sheet value reduces when assets are sold and are written out of the accounts. Depreciation is charged on assets and this also reduced the balance sheet valuation.

Valuations for HRA assets are:

	31-Mar-23	31-Mar-22
	£000	£000
Council Dwellings (HRA)	603,363	562,468
Other Land & Buildings	5,509	4,075
Vehicle, Plant & Equipment	31	38
Infrastructure	116	36
Community Asset	139	139
Assets Under Construction	10,776	9,010
Total	<hr/> 619,934 <hr/>	<hr/> 575,766 <hr/>

Other operational land and buildings are valued at open market value in existing use.

5. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at March 2023 was £x billion. The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rent.

6. Major Repairs Reserve (MRR)

The MRR is a reserve established by the Government as part of the resources accounting system in the HRA. Movements in the MRR during the year were:

	2022/23	2021/22
	£000	£000
Balance brought forward at 1 April	9,589	11,877
Depreciation charge for the year	6,427	5,865
Financing of capital expenditure for the year	(9,588)	(8,153)
Balance Carried forward	6,428	9,589

7. Capital Expenditure and Financing

The table below shows the total amount of capital expenditure incurred in the year together with the resources that have been used to finance it. Where capital expenditure has not been financed in the year, it results in an increase in the Capital Financing Requirement.

Capital Financing	2022/23	2021/22
	£000	£000
Opening Capital Financing Requirement	199,205	199,205
HRA Capital Expenditure		
Dwelling Stock	24,467	15,218
Assets Under Construction	1,766	378
Intangible Assets	4	6
Revenue Expenditure Funded by Capital under Statute	118	136
Total	26,355	15,738
Financed by:		
Capital Receipts	(400)	(3,731)
Government Grants & Other Contributions	-	(30)
Major Repairs Reserve	(9,588)	(8,153)
Revenue Contributions	(13,948)	(3,824)
Retained Right To Buy Receipts Reserve	(2,419)	-
Total	(26,355)	(15,738)
Closing Capital Financing Requirement	199,205	199,205

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £4.6 million, before making any payments to Government on sales of houses under Right to Buy.

8. Depreciation

The charges for depreciation for the houses and other property within the HRA for the year are as follows:

	2022/23	2021/22
	£000	£000
Council dwellings	6,321	5,765
Other land & buildings	112	92
Vehicles, Plant & Equipment	7	6
Infrastructure	11	7
Total	6,451	5,870

The depreciation amount has been calculated by the straight-line method in line with the Council's policies for PP&E (see note 12).

9. Contributions to/from the Pensions Reserve

The HRA share of the contributions to the Pensions reserve is as follows:

	2022/23	2021/22
	£000	£000
Reversal of items relating to retirement benefits debited to the HRA	398	511
Employer's pensions contributions and direct payments to pensioners payable in the year		
Contribution to the Pensions Reserve	398	511

Collection Fund

The Collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities, and the Government of Council Tax and Business Rates.

2021-22	2021-22		2022-23	2022-23
£000	£000		£000	£000
Council Tax	Business Rates		Council Tax	Business Rates
		INCOME		
	66,844	Income from Business Ratepayers - Note 2		75,909
120,375		Council Taxes	127,555	
34		Transfer for Transitional Relief, S13A(1)(C) Reliefs	47	
		Distribution of prior year estimated deficit:		
	25,150	Central Government		10,337
-	5,030	Surrey County Council	-	2,067
-		Surrey Police & Crime Commissioner	-	
-	20,120	Guildford Borough Council	-	8,270
120,409	117,144	Total Income	127,602	96,583
		EXPENDITURE		
		Precepts		
88,544		Surrey County Council	94,877	
16,323		Surrey Police and Crime Commissioner	17,242	
12,328		Guildford Borough Council	12,928	
		Payment of Business Rates shares:		
	42,159	Central Government		34,385
	8,431	Surrey County Council		6,877
	33,727	Guildford Borough Council		27,508
	625	Transitional Protection payments		1,386
	222	Charge to General Fund for collecting NDR		220
-	957	Provision for council tax bad debts	-	887
	800	Provision for business rates bad debts		400
-	4,201	Provision for business rates appeals		2,768
		Distribution of prior year estimated surplus:		
		Central Government		
		Surrey County Council	904	
		Surrey Police and Crime Commissioner	164	
		Guildford Borough Council	125	
116,238	81,763	Total Expenditure	125,353	73,544
		COLLECTION FUND BALANCE		
2,135	59,942	Balance at the beginning of the year	-	2,036
-	4,171	(Surplus)/deficit for the year	2,249	-
-	2,036	Balance at the end of the year	213	1,522

Notes To The Collection Fund

1. General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are prepared on an accruals basis, and they are consolidated with the other accounts of the Council on an agency basis.

The overall balance on Fund as at 31 March 2023 was a deficit of £1.7 million, made up of a Council Tax deficit of £0.2 million and a deficit in relation to business rates of £1.5 million.

The year-end Collection Fund surplus in relation to council tax is distributed between billing (the Council) and precepting (Surrey County Council and Surrey Police and Crime Commissioner) authorities on the basis of estimates of the year-end balance made on 15 January.

The year-end Collection Fund deficit in relation to business rates is distributed between billing and precepting (central government and Surrey County Council) authorities on the basis of year-end estimates made on 31 January.

2. Income from Business Rates

The Council collects business rates for its area. These rates are based on local rateable values (£209,973,201 as at 31 March 2023 multiplied by a uniform rate (51.2p standard and 49.9p small business rate in 2022-23). Local authorities retain a proportion of the total collectable rates due. For Guildford in 2022-23, this share is 40%. The remainder in 2022-23 is retained by Surrey County Council (10%), and the Government 50%.

3. Income from Council Tax

The Council's tax base, that is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	line 29 on CTB Estimated number of taxable properties after effect of discounts	Ratio	line 31 on CTB Band D equivalent dwellings
Dis A	2.75	5/9	1.57
A	867.1	6/9	497.64
B	2,725.85	7/9	1,606.81
C	10,431.85	8/9	7,948.39
D	14,479.26	9/9	13,481.66
E	9,285.50	11/9	10,866.14
F	6,200.00	13/9	8,739.35
G	7,051.75	15/9	11,497.75
H	1,690.50	18/9	3,308.10
	52,734.56		57,947.41
	Plus adjustment for MoD properties and collection rates offset by anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled person's relief, exempt properties and the Local Council Tax Scheme		388.50
			58,335.91

4. Collection Fund Provisions

The movement of the council tax bad debt provision during the year was as follows:

2021-22 £'000		2022-23 £'000
5,346	Balance at 1 April	4,388
(958)	Transfer (to) / from revenue	(887)
0	(Write offs)/write backs	(62)
4,388	Balance at 31 March	3,439

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

The movement on the business rates bad debt provision was as follows:

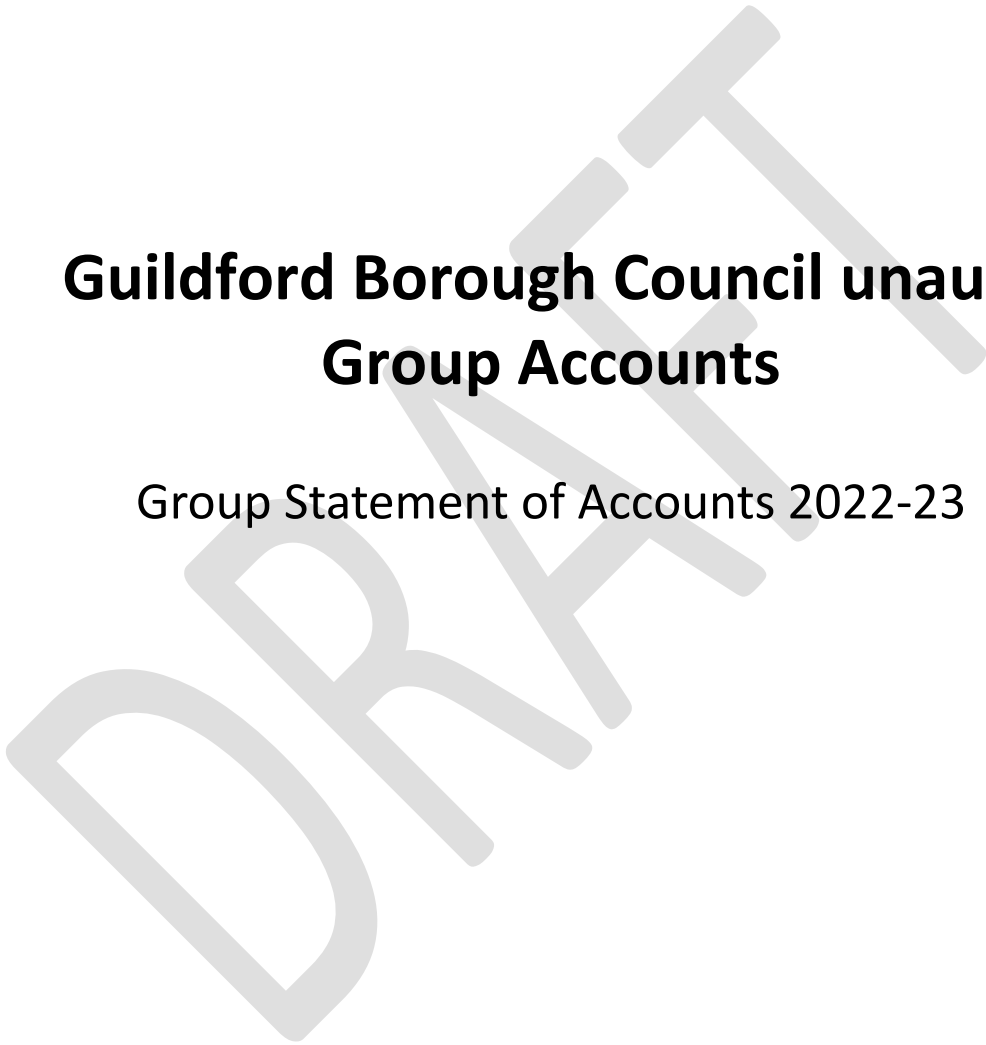
2021-22		2022-23
£'000		£'000
4,300	Balance at 1 April	5,100
800	Transfer from revenue	400
<u>0</u>	Write offs	<u>0</u>
<u>5,100</u>	Balance at 31 March	<u>5,500</u>

The movement on the business rates appeals provision was as follows:

2021-22		2022-23
£'000		£'000
11,384	Balance at 1 April	7,183
103	Transfer from revenue	10,812
<u>(4,304)</u>	RV list amendments	<u>(8,044)</u>
<u>7,183</u>	Balance at 31 March	<u>9,951</u>

**Guildford Borough Council unaudited
Group Accounts**

Group Statement of Accounts 2022-23



DRAFT

Group Accounts and Explanatory Notes

Introduction

The CIPFA Code of Practice sets out a requirement for local authorities to prepare group accounts where the authority has interests in subsidiaries, joint ventures or associates, subject to consideration of materiality.

Guildford Borough Holdings Ltd was formed as a subsidiary company in the financial year ending 31st March 2017, as part of Guildford Borough Council strategy to diversify its income sources by commercial acquisition and rental of residential property.

The Council decided to set up a property investment company North Downs Housing Limited ("NDHL") as the operational entity with Guildford Borough Holdings Limited ("GBCH") as a holding company for the property company and other potential companies.

Set out below are the details of these subsidiary companies:

Name of the Subsidiary	Place of incorporation	Company Number	Proportion owned by the Council	
			2022-23	2021-22
Guildford Borough Holdings Ltd	England & Wales	10152910	100%	100%
North Downs Housing Ltd	England & Wales	10153122	100%	100%

Although these companies operate on a commercial basis, independent from Council policy, the Council finances the activities of these subsidiaries through equity investments and loans. The board of directors are appointed by the Council, and are subject to regulation and oversight from the Council's Executive Shareholder and Trustee Committee.

Because these companies are owned and controlled by the Council, Group Accounts provide an insight into the combined financial affairs of Guildford Borough Council and the group of companies it owns. While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate structures by showing the full extent of the Council's wider assets and liabilities.

The Group Accounts include the following:

- Group CIES - summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

- Group Balance Sheet - showing the value of the Groups assets and liabilities at 31 March 2023. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.
- Group MIRS - shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group reserves. – to follow.
- Group Cash Flow Statement - shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and activities – to follow.

During the year 2022-23 group accounts of GBC Holdings shows a net loss of £0.440 million (2021-22 loss £0.447 million) and owned investment property of £27.174 million (£23.627 million in 2021-22). The group accounts are shown in the appendices that follow.

DRAFT

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2022/23			2021/22		
	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	33,923	(18,012)	15,911	30,911	(11,303)	19,608
Executive Management Team	62,486	(41,488)	20,998	48,893	(39,752)	9,141
Corporate & Improvement	25,627	(4,413)	21,214	19,079	(12,442)	6,637
Communities	13,827	(33,620)	(19,793)	16,590	(32,201)	(15,611)
Customer	2,854	0	2,854	0	0	0
Environment	0	0	0	19,010	(19,440)	(430)
CCHL Ltd	533	(1,080)	(547)	640	(871)	(231)
Cost of Services	139,250	(98,613)	40,637	135,123	(116,009)	19,114
	2,029	0	2,029	1,935	0	1,935
Payments to the Government Housing Capital Receipts Pool	0	0	0	691	0	691
(Gains) on the disposal of assets	(431)	0	(431)	(1,126)	0	(1,126)
Livestock Market	0	0	0	0	0	0
Other Operating Expenditure	1,598	0	1,598	1,500	0	1,500
Pension interest cost and expected return on pension assets	3,214	0	3,214	2,940	0	2,940
Interest receivable and similar income	0	(2,477)	(3,415)	0	(1,143)	(1,143)
Interest payable and similar expenses	5,696	0	6,634	5,112	0	5,112
Changes in fair value of investment properties	0	(832)	(832)	0	(951)	(951)
Other investment income	2,035	0	2,035	(1,452)	0	(1,452)
Income and expenditure in relation to investment properties	1,743	(9,158)	(7,415)	1,059	(8,169)	(7,110)
Financing and Investment Income and Expenditure	12,688	(12,467)	221	7,659	(10,263)	(2,604)
Council Tax Income	0	(13,291)	(13,291)	0	(12,081)	(12,081)
Non Domestic Rates	0	846	846	0	4,425	4,425
Non-ringfenced government grants	0	(4,047)	(4,047)	0	(10,189)	(10,189)
Capital grants and contributions	0	(7,334)	(7,334)	0	(12,735)	(12,735)
Taxation and non-specific grant income and expenditure	0	(23,826)	(23,826)	0	(30,580)	(30,580)
(Surplus) or Deficit on Provision of Services	153,536	(134,906)	18,630	144,282	(156,852)	(12,570)
Surplus on revaluation of non-current assets.			(42,634)			(48,962)
Actuarial (gains)/losses on pension assets/liabilities			(104,609)			(37,639)
Other Comprehensive Income and Expenditure			(147,243)			(86,601)
Total Comprehensive Income and Expenditure			(128,613)			(99,171)

GROUP BALANCE SHEET

	31 March 2023	31 March 2022 re-stated
	£'000	£'000
Property, Plant and Equipment	919,674	855,733
Heritage Assets	3,765	3,765
Investment Properties	205,372	197,564
Intangible Assets	2,541	2,762
Long Term Investments	25,092	48,965
Long Term Debtors	917	742
LONG TERM ASSETS	1,157,361	1,109,531
Short Term Debtors	27,547	27,706
Inventories	509	296
Short Term Investments	65,446	70,358
Cash and Cash Equivalents	16,710	36,686
CURRENT ASSETS	110,212	135,046
Short Term Creditors	(58,293)	(63,219)
Provisions	(6,866)	(3,219)
Short Term Borrowing	(127,232)	(134,292)
CURRENT LIABILITIES	(192,391)	(200,730)
Pension Liabilities	(20,550)	(116,284)
Long Term Borrowing	(168,053)	(169,599)
LONG TERM LIABILITIES	(188,603)	(285,883)
NET ASSETS	886,579	757,964
General Fund	(2,185)	(2,577)
Earmarked Reserves	(28,821)	(43,548)
Housing Revenue Account	(2,500)	(2,500)
Capital Receipts Reserve	(12,178)	(10,683)
Major Repairs Reserve	(6,427)	(9,588)
Capital grants and contributions	(620)	(505)
USABLE RESERVES	(52,731)	(69,401)
Revaluation Reserve	(331,408)	(294,425)
Capital Adjustment Account	(425,573)	(414,952)
Pensions Reserve	20,550	116,284
Collection Fund Adjustment Account	872	10,326
Accumulated Absences Account	286	532
Financial Instruments Adjustment Account	136	(1,711)
UNUSABLE RESERVES	(735,137)	(583,946)
TOTAL RESERVES	(787,868)	(653,347)

Annual Governance Statement 2022-23

To follow

DRAFT

Glossary

Accrual – the recording of income and expenditure when it becomes due rather than when the cash is paid or received.

Accruals basis – accounting for income or expenditure when it becomes due rather than when the cash is paid out or received.

Appropriations – amounts transferred to or from revenue or capital reserves.

Balance Sheet – a statement which shows the value of the Council's assets and liabilities on a specific day. The final accounts show the value of the assets and liabilities as at 31 March.

Business Rates Retention Scheme – introduced by the Government in April 2013, the scheme means that each council retains some of the business rates generated in its area. The Government still controls the rateable value of the properties and the rate in the pound to be paid.

Capital commitment – a commitment to make a capital payment under a contract.

Capital expenditure – expenditure to purchase or construct a fixed asset, or expenditure adding to the value of an existing fixed asset. Expenditure that does not enhance an asset, such as repairs and maintenance expenditure, is not capital expenditure.

Capital Financing Requirement (CFR) - the monies required to finance capital expenditure.

Capital Receipt – relates to the money from the sale of a fixed asset. Capital receipts can only be used to pay for new capital expenditure or to repay outstanding loans. Capital receipts cannot be used to finance revenue expenditure.

Cash Equivalents – these are short term, highly liquid investments that are readily convertible into cash. They are subject to an insignificant risk of a change in value.

Cash Flow Statement – this shows the movement in cash and cash equivalents in the year.

Chartered Institute of Public Finance and Accountancy (CIPFA) – this is the professional organisation for accountants working in the public sector.

Code (The) – the Code of Practice on Local Authority Accounting in the United Kingdom. This is the code produced by CIPFA/LASAAC that sets out how councils should show transactions in their accounts and the format of the accounts.

Collection Fund Revenue Account – this shows the transactions relating to national non-domestic rates (NNDR) and council tax. This fund shows on whose behalf Guildford Borough Council collects the amounts due and how these monies are distributed.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Comprehensive Income and Expenditure Statement – this shows all the income and expenditure in the year.

Contingency – an amount of money set aside for unforeseen items of expenditure.

Depreciation – a reduction in the balance sheet value of a fixed asset due to either wearing out, consumption, or other reduction in its useful economic life, whether arising from use, passage of time or obsolescence, through technological or other changes.

Earmarked Reserve – money set aside for future use on a specific area of expenditure.

Financial Asset – a right to future economic benefits controlled by the Council.

Financial Liability – an obligation to transfer economic benefits controlled by the Council.

Financial Instrument – a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

Financial Year – the year that the accounts relate to. The financial year starts on 1 April and ends on 31 March the following year.

General Fund (GF) – the Council's main revenue fund credited with charges, grants etc. and to which the costs of services are charged. However, separate accounts are maintained for other aspects of council activities, particularly the Collection Fund.

Heritage Assets – assets which are held and maintained principally for their contribution to knowledge and culture. These include monuments such as Guildford Castle, civic regalia at the Guildhall, the art collection at Guildford House Gallery, sculptures and artwork around the Borough and the museum collection at Guildford Museum.

Housing Revenue Account (HRA) – an account used to record the income and expenditure related to council housing. The Housing Revenue Account is ring-fenced from the rest of the General Fund. This is to ensure that the expenditure on managing tenancies and maintaining council houses is funded by rents charged to council tenants.

Housing Revenue Account Income and Expenditure Statement – this shows the income and expenditure relating to the provision of council housing.

Impairment – a reduction in the balance sheet value of a fixed asset.

International Accounting Standard (IAS) – these are the international accounting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

International Financial Reporting Standards (IFRS) - these are the international financial reporting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Internal Borrowing – Internal borrowing occurs when rather than raising external borrowing to pay for capital expenditure, the Council uses cash, which would otherwise be externally invested.

Investment – a long-term investment is an investment held for use on a continuing basis in the activities of the Council for 365 days or more. A short-term investment relates to the investment of surplus funds for 364 days or fewer.

Investment Property – a property that is used to earn rental income.

LASAAC – Local Authority (Scotland) Accounts Advisory Committee.

Lease – a lease is a contract for the hire of a specified asset. The lessor owns the asset but transfers the right to use the asset to the lessee for an agreed period in return for the payment of specified rentals. A **finance lease** transfers all the risks and rewards of ownership, such as the cost of repairs and maintenance, to the lessee. All other leases are classified as **operating leases**.

Lessee – an organisation to whom a lease is granted.

Lessor – the owner of an asset who leases it to a third party

Local Council Tax Support Scheme (LCTSS) - introduced by the Government in April 2013. Under the LCTSS, council tax payers who previously received a benefit payment, now receive a discounted council tax bill instead.

Long term – a term of 365 days or more.

Minimum Revenue Provision (MRP) – the minimum amount which must be charged each year to the Council's General Fund revenue account and set aside as provision for credit liabilities. There is no MRP requirement for the Housing Revenue Account (HRA).

Movement In Reserves Statement (MIRS) – this shows the movement in the year on the different reserves held by the Council.

Out-turn – actual income and expenditure.

PPE – Property, Plant and Equipment i.e. tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used for at least part of the succeeding financial year.

Precept – a charge levied by a council. Precepts are levied by Guildford Borough Council, Surrey County Council, Parish Councils and the Surrey Police and Crime Commissioner.

Provision – an amount, set aside in the accounts, for likely liabilities incurred but where the amounts or dates on which they will arise are uncertain.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2022-23

Prudential Code – a code produced by CIPFA that Councils are required to follow when deciding upon their programme for capital expenditure.

Revenue expenditure – the day-to-day costs incurred by the Council. This is distinct from capital expenditure.

Right to Buy – the right of council tenants to buy their council houses at a discount.

S106 income – money received from planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended).

Short term – a term of 364 days or fewer.

Straight line basis – depreciation that is charged on a straight line basis is charged in equal amounts for each year of the useful economic life of the fixed asset.

Trade payables – amounts owed to third parties when goods or services have been received but not yet paid for

Trade receivables – amounts due from third parties where goods or services have been supplied

Unapplied capital receipts – capital receipts which have not been used.

Usable reserves – those that the Council can use to finance expenditure or reduce local taxation.

Unusable reserves – these cannot be used to finance expenditure or reduce local taxation. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts only become available if the assets are sold; and reserves that hold timing differences.

Vacant Possession Adjustment Factor - a vacant possession adjustment factor of 32% means that the Council values its council houses at 32% of their open market value in the Balance Sheet. The percentages used are set by central government. The vacant possession adjustment factor is used to reflect that a council owned property has a lower open market value when it is occupied by a tenant.