



Guildford Borough Council unaudited Statement of Accounts 2021-22

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GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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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 2022 and of its income and expenditure for the year ended 31 March 2022.



Graeme Clark
Chief Financial Officer
19 August 2022

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

Report on the Audit of the Financial Statements – to follow

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Chief Financial Officer's Narrative Report

Financial Performance during the year – General Fund Revenue

I have pleasure in presenting the Council's Statement of Accounts for the financial year 2021-22.

The overall financial climate continues to be difficult and is likely to remain so for a number of years. Local Government played its part in helping to address the national funding deficit following the 2008 financial crisis up to 2020-21. In 2020-21 and 2021-22 the Covid-19 pandemic has had a significant impact on both the Council's finances and the national Government's finances. In the short term, the government has provided welcome financial support but given the level of national debt that has been acquired to support the economy during the pandemic, it is inevitable that in the medium to long term further public sector spending reductions will need to be made as part of a package of measures the government will need to pursue to reduce the public sector debt to pre-covid-19 levels. This will mean that in the medium to long term local authorities will need to play a further part in reducing public expenditure. Although the additional financial support from Government in 2020-21 and for the first 3 months of 2021-22 was welcome to help mitigate the impact of the pandemic, the Council still faced an unprecedented budget shortfall during 2020-21 which had a significant impact on the level of reserves. As the Council went into 2021-22 with lower reserves than in previous years the importance of maintaining focus on robust financial planning, identifying efficiencies for the future and budget monitoring was an even high priority that it had been in previous years.

The Council's settlement funding assessment for 2021-22 from Central Government was frozen at the same level as 2020-21. This follows 7 years of year on year reductions and 2 years of increases as follows:-

- 2011-12 15.2% reduction
- 2012-13 12.6% reduction
- 2013-14 6.6% reduction
- 2014-15 16.8% reduction
- 2015-16 15.0% reduction
- 2016-17 18.1% reduction
- 2017-18 18.6% reduction
- 2018-19 10.8% reduction
- 2019-20 2.3% increase and
- 2020-21 1.6% increase

The government issued a one-year settlement for 2021-22 due to the Covid-19 pandemic and brexit. It was the second year in a row that the Council had received a one-year settlement.

The budget for 2021-22 did not include any new investment in services but did include growth for the on-going impact of the Covid-19 pandemic, in particular the loss of income from fees and charges, support for the exceptional support services that we provided to vulnerable residents during the pandemic lock downs and expenditure to contain the outbreak. In addition, the budget focussed on continued investment in ICT and business process re-engineering under the Future Guildford transformation programme, in order to deliver the savings required to balance the Council's budget over the medium term. The Future Guildford transformation programme, approved by Council in February 2019 proposed a one-off investment of up to £13.4 million of earmarked reserves in order to deliver on-going annual revenue savings of up to £10.2 million per annum by 2023-24. A post-project completion report was presented to the Council's Overview and Scrutiny Committee on 18 January 2022 (see FG Report) which found the final programme cost £10.6 million (which was funded from earmarked reserves) and achieved £8 million in savings.

The net budget requirement for the year 2021-22 was set in February 2021 at £24,029,917. The net budget requirement is the amount the Council expects to spend after allowing for income from sources such as

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direct grants, fees, charges and rents but excludes income from revenue support grant, business rates and adjustments relating to the collection fund balance.

The net budget figure above excludes the precept requirements of the Parish Councils, which was £1,935,225 (2020-21 precept requirements were £1,876,544, an increase of 3.12%).

The Borough Council's band D council tax was set at £181.82, an increase of £5 (2.83%) from 2020-21. The report to Council on 10 February 2021, available on the Council's website, provides further details about the Council's budget for 2021-22.

We monitored performance against the budget closely through the year with particular attention paid to our key services (Development Control, Planning Policy, Industrial Estates, Investment Property, Leisure Management, Off Street Parking, Parks and Countryside and Refuse and Recycling), control of salaries and achievement of the efficiency savings included in the budget.

The financial outturn report, to be presented to the Executive in September and will be available on the Council's website, gives a detailed analysis of the variances in service expenditure.

The Council receives investment income from our cash backed reserves. As at 31 March 2022, we had around £152 million invested. Overall, net interest payable in the year were approximately £1.3 million lower than anticipated at £1.53 million. The Capital and Investment Outturn report provides further information about the Council's investment and borrowing activity during the year and our performance against our prudential indicators.

In setting the 2021-22 budget, a minimum revenue provision of £1.535 million was assumed. The actual minimum revenue provision was £1.357 million which is approximately £178,000 less than budgeted.

Overall the net expenditure on the General Fund was lower than the original estimate to the value of £139,000 which was transferred to the budget pressures reserve.

Financial Performance during the year – Capital Expenditure

Capital expenditure in the year totalled £55 million. The major areas of capital spend are shown in the table below:

	Original estimate (£'m)	Actual (£'m)	Variance (£'m)
General Fund approved programme	92.7	38.0	(54.7)
General Fund provisional programme	53.5	0.0	(53.5)
Schemes financed from reserves	1.9	1.7	(0.2)
Total General Fund	148.1	39.7	(108.4)
Housing approved Capital programme	27.0	15.7	(11.3)
Housing provisional Capital Programme	25.0	0.0	(25.0)
Total HRA	53.0	15.7	(37.3)
TOTAL Capital Expenditure	201.1	55.4	(145.7)

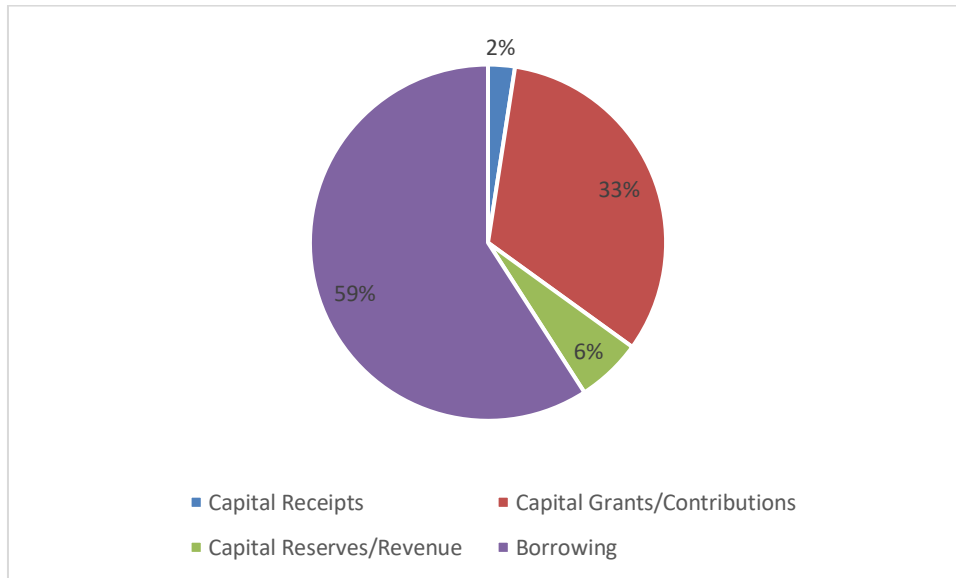
The main areas of capital expenditure (ie, above £500,000) during the year were:

- £18 million investment in Weyside Urban Village redevelopment
- £4.30 million investment in North Downs Housing Limited (£1.72 million in equity shares and £2.58 million in loans)
- £1.15 million on the Vehicles, Plant and Equipment replacement programme
- £1.6 million on the replacement of Walnut Bridge
- £3.6 million on a new road bridge over the railway near Ash Station

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- £3.9 million investment in the redevelopment of Midleton Industrial Estate
- £8.9 million investment in improvements and renovations to HRA property
- £6.8 million on acquisition of new HRA property

The capital expenditure was financed by utilising the following resources:



We financed £2.3million of our capital expenditure from existing resources and £12.9 million in grants and contributions, resulting in an increase to our Capital Financing Requirement, funded by internal borrowing, of £23.5 million.

Internal sources of funds available at 31 March 2022 to meet future capital expenditure are:

- General Fund capital schemes reserve £nil
- HRA usable capital receipts £0.752 million
- HRA future capital programme reserve £nil
- HRA new build reserve £3.8 million
- HRA Major Repairs Reserve £8.15 million

Financial Performance during the year - Treasury Management

The principal value of investments at 31 March 2022 totalled £152.3 million made up as follows:

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Investment details	Balance at 31-03-22 £m	Weighted Avg Return for Year
Internally Managed Investments		
Fixed Investments < 1 year to cover cash flow	41.00	0.46%
Corporate bonds	4.00	0.13%
Long term bonds	15.00	0.29%
Notice Accounts	3.00	0.40%
Call Accounts	0.00	0.01%
Money Market Funds	31.90	0.07%
Revolving credit facility	0.00	0.00%
Long term investments > 1 year	37.40	0.40%
Externally Managed Funds		
Funding circle	0.21	10.90%
Cash plus	5.00	0.00%
CCLA	7.67	4.41%
Fundamentum	2.07	1.65%
RLAM	2.25	4.79%
M&G	0.00	3.25%
Schroders	0.77	7.31%
UBS	2.11	4.71%
City Financial	0.00	0.00%
Total Investments	152.38	0.65%

The book cost of investments is the amount of cash receivable if the investments were to be sold on 31 March 2022. The book cost is different to the amounts shown in note 29 of the financial statements where the investments are shown in accordance with IFRS 9 Financial Instruments. Gross interest received in the year from investments was £1.6 million against a budget of £0.7million.

During the year we increased the value of temporary borrowing by £20 million taken out for cash-flow purposes and replace some internal borrowing. The principal balance outstanding on our external loans (both short-term and long-term) at 31 March 2022 was £308.7 million.

The investment markets remained extremely challenging with the Bank of England decreasing the base rate due to the pandemic and the Council continued its focus on preserving capital whilst optimising interest earnings.

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 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

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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 2022. 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 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.

Expenditure and Funding Analysis (EFA)

The net expenditure chargeable to the General Fund and HRA balances was a surplus of £12.2 million. £16.2 million adjustments between funding and accounting bases resulted in a deficit reported in the CIES of £4 million.

Income and Expenditure Statement (CIES)

The surplus on provision of services was £12.256 million. This was the net total of a surplus on the HRA of £15.6 million, and a deficit on the General Fund of £45.7 million.

Total comprehensive income and expenditure was £98.8 million income, compared to £20.8 million expenditure in 2020-21. The difference is mainly due to an increase in Financing and Investment Income, surplus on revaluation of property and change in remeasurement of pension liability.

Movement in Reserves Statement (MIRS)

The MIRS shows that a surplus of £11 million is added to the HRA and a surplus of £1.2 million added to the General Fund. £11.7 million and £4.5 million is taken from the General Fund and HRA as a result of adjustments made under statutory regulations.

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£53.8 million of the GF balance of £57.6 million as at 31 March 2022 is held in reserves earmarked for specific purposes. The remaining £3.7 million is held as unallocated funds. In the case of the HRA, £104 million of the balance of £106.6 million is held in earmarked reserves, leaving an unallocated balance of £2.5 million.

Balance Sheet

The Balance Sheet shows that our long-term assets have increased in value during the year by 9.85% from £993.5 million to £1,091 million. This is due to a £81.3 million increase in value of the Council's property portfolio on revaluation during the year and net additions to the property portfolio, increase in long-term debtors (£4.5 million), and an increase in long-term investments (£12.1 million).

Current assets have decreased by 19.5% from £193.9 million to £156 million, mainly due to a decrease in short-term investments (including those classified as cash equivalents) from £100.9 million to £90.8 million, short term debtors from £52.9 million to £156 million. After our liabilities are taken into account, our net assets have increased by 14.75% from £670.4 million to £769.3 million.

We had an increase in our unusable reserves of £103 million, and a decrease in our usable earmarked reserves of £4.7 million.

Pension liability

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. The Council participates in the Local Government Pension Scheme administered by Surrey County Council – this 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.

Hymans Robertson LLP, completed a triennial review of the fund at 31 March 2019 which set the employer contribution rates for 2020-21 to 2022-23. The triennial valuation of the pension scheme showed that the overall deficit on the pension fund has reduced from £679 million at 31 March 2016 to £196 million at 31 March 2019 increasing the funding level of the scheme from 83% to 96% over the period. Guildford's share of the deficit was £37 million at 31 March 2016 but had reduced to £19 million at 31 March 2019 and the funding level has increased from 80% to 91% for Guildford. The main reason for the increase was due to increased investment returns on the pension scheme assets. Employer contributions are split between:

- the primary rate, which is expressed as a percentage of pay. The valuation report proposed that this rises from 15.1% to 17.2% due to a weaker outlook for investment returns in the future and the additional pressure placed on scheme liabilities and funding plans to allow for the 'McCloud' ruling, and,
- a secondary rate which is an annual cash contribution to the scheme, the secondary rate has remained stable at around £2.2 million per annum, due to the increase in investment assets of the scheme.

The Council accounts for pension costs, in its financial statements, based on International Accounting Standard (IAS) 19; Employee Benefits. This standard requires that the cost of retirement benefits are reported when they are earned by employees rather than when the benefits are paid as pension.

Legislation prevents this cost affecting council tax and housing rent levels, which are based on the cash payable in the year. The accounts include an adjustment for the difference in the form of a transfer to or from a statutory pensions reserve.

The accounts, based on IAS 19, show a total pension fund liability of £116 million (£143 million in 2021-22) which has a substantial impact on the net worth of the authority as recorded in the balance sheet. The position, as valued by IAS 19 differs to that reported as part of the triennial valuation principally because the accounting standard requires that the discount rate is set with reference to the yields on high quality

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corporate bonds irrespective of the actual investment strategy of the Fund. As such the IAS 19 valuation of the Fund is unlikely to reflect the eventual cost of providing the benefits and does not affect the level of contributions to the fund from either the employees or the Council. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary. It is important to remember that pensions are long-term assets and liabilities and the IAS 19 figures disclose the position at a point in time based on the actuaries' financial assumptions.

Reserves, Balances and Provisions

We are not required to include a full list of reserves and balances in the Statement of Accounts, however we included one in the report to the Executive. Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 13 to the accounts.

We maintain a bad debt provision at a suitable level including sufficient provision to meet all likely non-collectable local taxation.

Assessment of Going Concern and Key Ratio's

The financial statements show the following measures of the Council's financial position:

Indicator	Definition	2020-21	2021-22
Liquidity Ratio	Current Assets / Current Liabilities	0.86	0.81
Gearing %	Total borrowing / Long Term Assets	31%	28%
Net Debt Expenses as a % Gross Income	Net interest payable + Statutory provision for the repayment of debt / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	6%	6%
Borrowing as a % Gross Income	Long Term Borrowing / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	130%	141%
General Fund Reserves as % Net Expenditure chargeable to the General Fund	level of GF & GF earmarked reserves / net expenditure chargeable to the general fund	123%	225%
HRA Reserves as % Net Expenditure chargeable to the HRA	level of HRA & HRA earmarked reserves / net income chargeable to the HRA	568%	652%
Council Tax Income as % Gross Income	Council Tax income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	9%	10%
Net Retained Business Rates as % Gross Income	Net Business Rate Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	-45%*	23%
Net Investment Property Income as % Gross Income	Net Investment Property Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	5%	14%

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* this figure reflects the impact of Covid-19 on the collection fund, where there is an unusually large deficit which will be repaid over the next 3 years.

The table above shows that the Council has a sufficient reserves to meet future expenditure requirements. Its overall gearing level is good, its income is diversified meaning that the Council is not overly reliant on one form of income, the Council has high net worth and the level of debt expense is affordable.

CIPFA has produced a financial resilience index in response to concerns within the local government sector and central government about the financial resilience of some local authorities following the significant funding reductions incurred by the sector since 2013-14.

The financial resilience index shows how the Council compares to other similar authorities across a basket of financial indicators based on its 2020-21 accounts and a trend analysis of changes since 2017-18. The analysis can be found on the CIPFA Website ([Financial Resilience Index | CIPFA](#)). Guildford compares about average on the analysis to other authorities with the majority of indicators showing that the Council is at medium risk of financial stress. Three indicators show the Council to be medium-high risk; these are the overall level of reserves, gross external debt and the council tax requirement as a proportion of net revenue expenditure. In previous years the Council has been medium-low risk, the change relates to the decrease in reserves as a result of a planned use of reserves to fund the future Guildford transformation programme and a significant unplanned use of reserves to fund the overspend incurred during the Covid-19 pandemic. Although seen on the resilience indicator as a risk, a low reliance on government grant, and a high reliance on council tax, net retained business rates and other locally raised revenue to finance expenditure on delivery of services is deemed by the Council to be a financial strength (given the past reductions in funding from government). However, in exceptional operating years such as during a global pandemic or economic recession, the Council's high reliance on local income streams can be a weakness as it is more susceptible to commercial risk.

In addition to the CIPFA resilience index the Local Government Association also publish an index of key financial indicators under which Guildford can be compared to all local authorities in the Country or a subset group of them. The data is drawn from statutory 'RA and RO' returns. Comparison of Guildford to all other districts in the South East of England shows that Guildford's cost of debt as a proportion of its Net Revenue Expenditure has slightly decreased over the last 5 years. The indicators also show that the unallocated general reserves of £3.7 million as a proportion of net revenue expenditure is in the lower quartile of local authorities in the South East. Following the unplanned use of reserves to fund the Covid-19 pandemic, total reserves as a proportion of net revenue expenditure is now below the mean of other authorities in the comparator group (in previous years it had been above the mean). The indicators show that the Council's Net Worth as a proportion of Net Revenue Expenditure is above the mean of local authorities in the South East.

The legislative framework around local government in the UK means that the Council's existence (or not) is determined by national legislation setting out how and what level of government services are provided at a local level. The provisions within the CIPFA Code confirm that the legislative framework does not allow any ability to cease being a going concern as described by IAS 1 Presentation of Financial Statements (management deciding to liquidate the entity or cease trading). It will require a change in legislation for the Council to be abolished or to cease trading, at present, there is no such legislation in place proposing such a change. However, even if a statutory change in local government were forthcoming, any assets and liabilities of the Council and its service provision would transfer to a new body. As a result the CIPFA Code of Practice on Local Authority Accounting requires the Council to prepare its accounts on a going concern basis.

Collection Fund

Collection rates for both Council Tax and Business Rates were higher than the previous years due to the bounceback from the Pandemic. The council tax collectable debit for 2021-22 was approximately £126 million and 95.3% had been collected by 31 March 2022. At the same time, 72% of the collectable debit for

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non-domestic rates (£71.5 million) had been collected.

Business Rates Retention Scheme

The Business Rates Retention Scheme (BRRS) allows the Council to benefit financially from any above inflation growth achieved in the level of business rates in our area, but the Government also transferred the risk of a fall in business rates to us and the rate in the pound levied is still controlled by the Government.

The BRRS starts with the Government's assumption of the level of Business Rates nationally and sets an amount known as the NDR Baseline. For Guildford the NDR Baseline was set at £34.7 million. The Government assessed our baseline funding level at £2.9 million, the difference (£31.8 million) was paid to the Government as a tariff. If Guildford's actual business rate income is higher than the NDR Baseline then the Council is required to pay a levy of 50% of the additional income to central Government.

When we set our 2021-22 budget, we projected the business rate income we would receive £84.3 million (the Council's 40% share is £33.7 million) and provided this estimate to the government in our NNDR 1 return. At the end of the year, we update the data based on actual income (£66.8 million of which the Council's share is £20.1 million) and inform the government in our NNDR 3 return. The significant difference between the actual and estimated income for 2021-22 relates to the COVID19 pandemic and the business rate relief the Council provided to businesses for which it has received a Section 31 grant from government to compensate for the loss of income.

The table below shows the difference between the actual and estimated income from business rates and the resulting impact on the levy payment:

	Budget	2021-22 Actual	2021-22 Variance
<u>Business Rates Retention Summary [zero impact]</u>		£0	£0
BRRS – tariff	31,844	31,844	0
Business Rates levy payment to MHCLG	100	341	(241)
BRRS - equalisation reserve transfer	(19,958)	(2,313)	(17,645)
	11,986	29,872	(17,886)
BRates Collection fund deficit	20,120	20,120	0
BRRS - s31 grant	(1,308)	(19,131)	17,823
BRRS - retained income	(33,727)	(33,727)	0
BRRS - net position	(2,929)	(2,866)	(64)

The Council's current policy is to transfer any gain or loss on business rates to the business rates equalisation reserve to help smooth the volatility in income from business rates under the BRRS and to help us manage the fluctuations in our business rate income that will occur as we carry out our development plans for the town centre.

Housing Revenue Account (HRA)

The Statement of Accounts contains details of the HRA income and expenditure, which is ring-fenced from the General Fund. The HRA outturn report is presented to the Executive and available on the Council's web site.

The table below shows the main variances between the budgeted and actual operating surplus for 2021-22 under the key headings.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Housing Revenue Account	2021/22 budget £000	2021/22 Actual £000	Variance £000
Rental Income	(30,507)	(30,247)	(260)
Other Income	(3,226)	(2,661)	(565)
Total Income	(33,733)	(32,908)	(825)
Expenditure on Housing Services	11,855	11,144	711
Depreciation	5,529	6,028	(499)
Revaluation		(1,174)	1,174
Other Expenditure	402	1,017	(615)
Interest Payable	5,142	4,880	262
Surplus for the Year	(10,805)	(11,014)	209
HRA Balance brought forward	(2,500)	(2,500)	0
Transfer to reserves	10,805	11,014	(209)
Balance Carried Forward	(2,500)	(2,500)	0

At year end we transferred £2.5 million to the reserve for future capital programmes and £7.8 million to the new build reserve. The surplus on revaluation was transferred to the capital adjustment account in line with the CIPFA code of practice. The HRA working balance at year-end remains at £2.5 million.

Rental income from dwellings was £1.2 million (3.79%) below the estimate.

Expenditure on housing services was lower than budgeted by £711,000. The budget provides for both planned and responsive repairs, so an element of demand driven cost is inherent in the expenditure. Void units typically incur additional repair and improvement expenditure in order to prepare them for re-letting.

HRA Investment income is £492,000 lower than the estimate due to the risk free rate of investment being at very low levels.

The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward a number of development opportunities. A combination of useable one-for-one receipts and capital receipts have been used to finance capital expenditure on the new build programme.

Other Performance during the year

Performance management is a key part of delivering successful services and performance indicators help the Council define and measure progress towards our strategic priorities. Individual service and project managers collect and monitor key performance information. During 2021-22 the Council made regular quarterly reports to the Corporate Governance and Standards Committee (CGSC) on performance monitoring across a range of indicators that allows the Council to assess its performance against the corporate plan priorities. The final quarterly monitoring report for Quarter 4 2021-22 was reported to the CGSC in June 2022. 17 of the key corporate performance indicators are benchmarked across the Surrey District Council's. The benchmarking reports are presented to the Surrey Chief Executives group each year. Guildford's performance against the 17 key performance indicators benchmarked across Surrey is as follows:

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Indicator	Ref	2020-21	2021-22
1. Council Tax Collected	COM10	97.53%	97.52%
2. NNDR Collected	H&J12	95.48%	95.5%
3. Invoices paid on time	COU3	84%	83.25%
4. Processing of 'major' planning applications within 13 weeks (average of 4 quarters)	COU10	91.92%	72.67%
5. Processing of 'minor' planning applications within 8 weeks (average of 4 quarters)	COU11	80.33%	40.39%
6. Appeals dismissed against the Council's refusal of planning permission (average of 4 quarters)	COU13	82%	62%
7. Number of Households living in temporary accommodation	COM7	35	30
8. Housing Advice – homelessness prevented (cases resolved)(aggregate of 4 quarters)	COM9	176	138
9. Days taken to process Housing Benefit / Council Tax support claims (average of 4 quarters)	COU5	11.64	10.95
10. Number of affordable homes completed (aggregate of 4 quarters)	H&J4	78	110
11. Food businesses with 'scores on the door' of 3 or over	H&J11	98.53%	98.36%
12. % Household waste recycled and composted	ENV1	55.8%	tbc
13. Kilograms of residual household waste collected per household from the kerbside (aggregate of 4 quarters)	EMV2	393.79	tbc
14. Staff sickness absence (all)	COU1	6 days	8.8
15. Staff turnover	COU2	14.2%	16.2%

Over recent years, the Council has undertaken a programme of service challenges and senior management restructures. This has reduced our staffing levels as shown in the table below.

Full time equivalent (FTE) number of staff

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Office based staff	502.7	480.4	530.7	490.2	487.8	471.4	471.4	452.6	432.2	412.9
Manual staff	232.2	240.0	182.6	214.8	220.2	228.2	223.1	217.3	212.8	204.9
Total	735.0	720.4	713.4	705.0	708.0	699.6	694.8	670.0	645.0	617.8

Value for Money Statement

Value for Money (VfM) is important to the Council as it is committed to delivering and maintaining a balanced budget, and in doing so; aims to enable investment in services and capital projects to meet its corporate plan priorities.

VfM is defined as the relationship between economy, efficiency and effectiveness, sometimes known as the value chain. It is about obtaining the maximum benefit from the resources available – balancing inputs outputs and outcomes. In simple terms it measures costs, performance and satisfaction, and is defined as achieving the right balance by spending less, spending well and spending wisely.

There are a number of approaches that the Council employs to identify whether it is providing VfM to its residents including:-

- Benchmarking unit costs of services against other similar councils
- Reviewing the VfM profile of services and the trend over time
- Ensuring robust procurement
- Reviewing processes and procedures to ensure maximum productivity

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

- Robust monitoring of its budget
- Reviewing the effectiveness of internal financial control
- Monitoring performance across services, including customer services
- Monitoring complaints
- Internal and External audit reviews
- Ensuring that benefits are clearly set out in business cases for capital projects including use of net present value calculations
- Robust project and programme governance framework

Issues affecting the Council's Future

The Chief Finance Officer's report on the 2021-22 Budget, presented to Council in February 2021, is on our website ([CFO Report](#)).

This report contains an overview of local government funding, the economic outlook, the Council's corporate plan and their impact on the Council's finances. The report concluded that the Council had a potential funding gap of £5.9 million over the medium-term period to 2025-26.

The Council has played a vital role in responding locally to Covid-19, to save lives, protect the NHS, and ensure our residents are protected wherever possible. We also have a duty to ensure that crucial council services continue to operate in these unprecedented times. The Council's response to the pandemic has been intense and wide ranging across several critical services.

At various points in 2021-22 Guildford Borough Council continued to partially operate its emergency response and focus services on recovery from the pandemic.

In supporting the Emergency response the Council continued a number of new and enhanced services to support the most vulnerable individuals and communities which were introduced in the previous year. This included:

- Continuing to operate a 'Locality Hub' at Park Barn Day Centres to support our day centre, meals on wheels, sheltered and supported housing clients, and other people self-referred to us as needing help, with food parcels, meals on wheels and welfare calls
- Procuring and placing homeless households and rough sleepers in hotel accommodation and providing meals and food parcels to them
- Providing significant business rate relief and grants to local businesses in line with the government schemes
- Providing hardship funding for Council tax and administering an increase in claimants for the local council tax support scheme
- Providing general advice to the public and specific advice to individuals suffering hardship as a result of Covid-19

From a Business Continuity perspective, the Council, like many other organisations, continued to enable officers and Councillors to work from home on a large scale during various parts of the year. The Council implemented its Agile working policy in September 2021. A significant proportion of the Council's officers are classed as Key Workers and continued to attend their normal places of work and carry out their roles if it was not possible to carry out their jobs from home. However, in order to ensure the safety and health of our staff, we have taken as many precautionary steps as possible to reduce the risk to their health of carrying out their roles.

Expenditure in respect of the additional services that the Council has introduced has been shown as 'Exceptional item' within the Council's Income and Expenditure account. The Council has also received some exceptional support grants from the government to offset some of this expenditure which has been shown as Exceptional income. In 21/22 the Council has seen a material loss of income across fees and charges income within services. This income loss for the first three months of the year has been partially

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

offset against a £1.45 million 'sales, fees, and charges compensation grant'. The grant income has been apportioned to the relevant services to which the claim for loss of income related and is therefore shown within the service lines within the net cost of services on the income and expenditure account.

The Council has not seen a significant increase in sickness levels as a result of the Covid-19 crisis, this may in part be due to the ability for staff to work from home and so were able to self-isolate effectively.

The Covid-19 crisis continued to have a significant impact on the financial position of the Council. In November 2021, we reported the period 6 financial monitoring report to Executive Councillors which at the time forecasted a substantial overspend. An action plan to control expenditure in year was agreed and implemented. The main reason for the overspend was the continued impact on the Council's income due to a significant reduction in fees and charges income from services, mainly car parking. The Council's investment property income has not seen a significant fall in income. The outturn position shows that the action plan was successful, and the Council was able to control expenditure to within budget and avoid any further unplanned use of reserves.

In addition to the immediate impact on the GF, collection rates for Council Tax and Business Rates are lower for 2021-22 than the rates reported pre-pandemic (2019-20). This is due to financial hardship of businesses and households in the borough. We saw a growth in claims for Local Council Tax Support during the year. In addition, in order to administer the significant grants and hardship funds that were provided by the government, the Council had to reprioritise work away from normal debt recovery activity at various points in the year. For businesses, the Council granted £27 million of business rate relief (for which it received a section 31 grant) and also paid grants under a variety of grant schemes to businesses. For many of these grants, the Council acted as an agent for the government and so the income and expenditure on the grant schemes has been accounted for within the Council's balance sheet. Any unspent grant monies which will need to be returned to the government is shown as a receipt in advance in note 20. However, the discretionary grants were grants where the Council acted as principal and made the decisions as to the award criteria. These grants are shown within the exceptional items on the income and expenditure statement and any unspent grant monies at the balance sheet date have been transferred to an earmarked reserve to be used in 2022-23. The section 31 grant in respect of the business rate relief has also been credited to the income and expenditure statement and then transferred to an earmarked reserve to offset the collection fund deficit in 2022-23. Due to the carry forward of unspent grant monies, the Council's reserves look higher than anticipated at the balance sheet date.

Financial Risks

The Council faces many financial risks, which are identified in the financial risk register published as part of the 2021-22 Budget on 5 February 2021 (see [Risk Register](#)). The Financial Risk Register quantifies the risks and demonstrates that the general reserves and those held for risk management purposes are adequate to cover the risks.

The major risks are:

- Ongoing financial and economic impact of the Covid-19 pandemic
- Financial and economic impact of rising inflation and wider economic volatility
- Delivery of savings and income targets and the identification of new measures
- Affordability of regeneration schemes given rising costs and borrowing rates.
- Affordability of the Council's Capital Programme.
- Business rates retention scheme volatility.
- Fair Funding Review of Local Government Finance.

Conclusion

The Council has been able to maintain a high level of performance in the delivery of its services during 2021-22, and at the same time maintain its reserves and provisions to a level adequate to meet all known liabilities and invest in transformational change.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

There are significant challenges for us in the future, particularly as a result of high inflation. At the same time the Council has exciting but challenging plans for the regeneration of the town and borough.

The Council should be well placed to meet these challenges but will need to continue to identify new ways of delivering cost savings and driving income in future years.



Graeme Clark
Chief Financial Officer
19 August 2022

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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 2021-22 financial year and its position at the year-end of 31 March 2022. 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 2021-22, 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 2021-22 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
- 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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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 2022) and the date when the Statement of Accounts was authorised for issue by the Chief Financial Officer on 18 August 2022. 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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

- 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 2022 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 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.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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).

		2020-21				2021-22	
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Directorate		£000	£000	£000
23,647	(3,164)	20,484	Strategy		19,473	(3,668)	15,806
87,926	(63,506)	24,419	Services		88,944	(63,907)	25,037
19,676	(8,748)	10,929	Resources		14,839	(9,542)	5,297
18,141	(33,210)	(15,068)	Housing Revenue Account		17,298	(32,908)	(15,611)
17,742	(18,358)	(616)	COVID expenditure		19,509	(19,940)	(430)
167,133	(126,985)	40,148	Cost of Services		160,063	(129,965)	30,100
		363	Other operating expenditure	3			1,502
		(1,607)	Financing and investment income and expenditure	4			(12,104)
		(34,054)	Taxation and non-specific grant income	5			(31,753)
		4,849	(Surplus) / Deficit on Provision of Services				(12,256)
		(13,458)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	22			(48,963)
		29,493	Remeasurements of the net defined benefit liability	22			(37,639)
		16,035	Other Comprehensive (Income) and Expenditure				(86,602)
		20,884	Total Comprehensive (Income) and Expenditure				(98,858)

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Movement In Reserves (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The net increase / (decrease) line shows the statutory General Fund (GF) Balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Reserves £000
2021-22								
Balance at 31 March 2021	68,134	100,115	8,901	11,878	736	189,764	480,675	670,439
Movement in Reserves during 2021-22								
Total Comprehensive Income and Expenditure	1,243	11,013	0	0	0	12,257	86,602	98,859
Adjustments between accounting basis & funding basis under regulations (Note 22)	(11,770)	(4,498)	1,783	(2,289)	(230)	(17,004)	17,004	0
Increase/(decrease) in 2021-22	(10,526)	6,515	1,783	(2,289)	(230)	(4,747)	103,606	98,859
Balance at 31 March 2022 carried forward	57,607	106,631	10,684	9,589	505	185,016	584,281	769,297
2020-21								
Balance at 31 March 2020	47,741	94,345	13,931	9,853	560	166,429	524,894	691,323
Movement in Reserves during 2020-21								
Total Comprehensive Income and Expenditure	(16,732)	11,883	0	0	0	(4,849)	(16,035)	(20,884)
Adjustments between accounting basis & funding basis under regulations (Note 23)	37,125	(6,113)	(5,030)	2,025	176	28,183	(28,183)	0
Increase/(decrease) in 2020-21	20,393	5,771	(5,030)	2,025	176	23,334	(44,218)	(20,884)
Balance at 31 March 2021 carried forward	68,134	100,115	8,901	11,878	736	189,764	480,675	670,439

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. Net assets of the Council (assets less liabilities) match the reserves, and are reported in two categories:

- usable reserves - those the Council may use these to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt), and
- unusable reserves - those the Council are not able to use these to provide services. This category includes reserves that:
 - hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and
 - reserves that hold timing differences shown in the MIRS line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021		Notes	31 March 2022
£000			£000
789,264	Property, Plant & Equipment	12	855,737
3,762	Heritage Assets	13	3,766
159,429	Investment Property	14	174,257
2,857	Intangible Assets	15	2,762
27,022	Long-term Investments	29	39,174
11,209	Long-term Debtors	29	15,714
993,543	Long Term Assets		1,091,410
100,969	Short-term Investments	29	90,873
0	Assets held for sale	16	0
380	Inventories		295
52,915	Short Term Debtors	17	29,380
39,643	Cash and Cash Equivalents	18	35,510
193,907	Current Assets		156,058
(163,772)	Short Term Borrowing	29	(134,294)
(56,585)	Short Term Creditors	19	(54,772)
(5,959)	Provisions	20	(3,220)
(226,316)	Current Liabilities		(192,286)
(147,435)	Long Term Borrowing	29	(169,599)
(143,258)	Other Long Term Liabilities	26	(116,284)
(290,693)	Long Term Liabilities		(285,883)
670,441	Net Assets		769,299
189,763	Usable Reserves	MIRS	185,016
480,678	Unusable Reserves	22	584,283
670,441	Total Reserves		769,299



Graeme Clark, Chief Finance Officer
19 August 2022

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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.

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.
- 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.

2020-21		2021-22
£000		£000
	OPERATING ACTIVITIES	
(3,890)	Net surplus/(deficit) on the provision of services	12,256
(12,846)	Adjustments for non-cash movements (Note 21)	57,183
(13,406)	Adjustments for items included in the net surplus that are investing and financing activities (Note 21)	(19,911)
(30,142)	Net cash flows from Operating Activities	49,528
	INVESTING ACTIVITIES	
(23,462)	Payments for additions to long term assets	(40,814)
(110,561)	Payments for purchase of investments	(153,053)
(1,973)	Other payments for investing activities	(3,434)
4,559	Proceeds from the disposal of long term assets	7,176
85,164	Proceeds from disposal of investments	150,382
10,038	Other receipts from investing activities	12,850
(36,235)	Net cash flows from Investing Activities	(26,893)
	FINANCING ACTIVITIES	
191,000	Cash receipts of short and long-term borrowing	199,050
0	Other receipts from financing activities	0
17,132	Other payments from financing activities	(19,319)
(116,745)	Repayments of short and long-term borrowing	(206,500)
91,387	Net cash flows from financing activities	(26,769)
25,010	Net increase/(decrease) in cash and cash equivalents	(4,134)
14,634	Cash and cash equivalents at the beginning of the reporting period	39,644
39,644	Cash and cash equivalents at the end of the reporting period (Note 18)	35,510

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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.

		2020-21				2021-22	
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES	
£000	£000	£000		£000	£000	£000	
5,589	14,895	20,484	Strategy	6,549	9,256	15,806	
10,425	13,995	24,419	Services	11,284	13,753	25,037	
15,463	(4,534)	10,929	Resources	2,550	2,748	5,297	
(21,149)	6,081	(15,068)	Housing Revenue Account	(20,975)	5,364	(15,611)	
(616)	0	(616)	Covid Grants	(430)	0	(430)	
9,711	30,436	40,148	Cost of Services	(1,021)	31,121	30,100	
(35,875)	577	(35,298)	Other income and expenditure	5,032	(47,387)	(42,355)	
(26,164)	31,013	4,849	(Surplus) / deficit	4,011	(16,267)	(12,256)	
(142,087)			Opening GF and HRA Balance at 31 March (note 12)	(168,250)			
(26,163)			Add (Surplus) / Deficit on GF and HRA Balance in Year	4,011			
(168,250)			Closing GF and HRA Balance at 31 March (note 12)	(164,239)			

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 £16.8 million, which is reported to Strategy, 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.

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1b). Notes To The Expenditure and Funding Analysis

	Adjustments between Funding and Accounting Basis			
				2021-22
Adjustments from GF to arrive at the CIES amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Strategy	432	1,052	7,773	9,256
Services	7,154	4,932	1,666	13,753
Resources	283	1,231	1,233	2,748
Housing Revenue Account	4,690	511	163	5,364
Cost of Services	12,561	7,725	10,835	31,121
Other income and expenditure from the EFA	(30,753)	2,940	(19,575)	(47,387)
Difference between GF surplus and CIES surplus on the Provision of Services	(18,191)	10,665	(8,740)	(16,266)

	Adjustments between Funding and Accounting Basis			
				2020-21
Adjustments from GF to arrive at the CIES amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Strategy	1,561	593	12,741	14,895
Services	9,880	3,271	844	13,995
Resources	306	(6,793)	1,953	(4,534)
Housing Revenue Account	5,512	473	96	6,081
Cost of Services	17,259	(2,456)	15,634	30,437
Other income and expenditure from the EFA	(19,568)	2,654	17,491	577
Difference between GF surplus and CIES surplus on the Provision of Services	(2,309)	198	33,125	31,014

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

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
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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
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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
Taxation and non-specific grant income and expenditure	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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

1c). Segmental Income

Revenues received from external customers on a segmental basis (ie how the Council is structured) is analysed below:

2020-21		2021-22
£000	Services	£000
9,010	Strategy	9,506
14,257	Services	22,432
280	Resources	170
31,426	Housing Revenue Account	31,023
54,973	Total Income from services	63,132

2. Expenditure And Income Analysed By Nature

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

2020-21		2021-22
£000	Expenditure/Income	£000
	Expenditure	
41,303	Employee benefits expenses	41,844
85,992	Other services expenses	81,647
18,476	Depreciation, amortisation, revaluation gains and losses	2,877
7,934	Interest payments	8,052
1,877	Precepts and levies	1,935
687	Payments to Housing Capital Receipts Pool	692
(1,242)	IFRS statutory adjustment	(1,452)
(2,201)	(Gain) / loss on the disposal of assets	(1,126)
152,826	Total Expenditure	134,468
	Income	
103,589	Fees, charges and other service income	104,835
10,334	Interest and investment income	10,136
(4,382)	Income from council tax and non-domestic rates	7,656
38,436	Government grants and contributions	24,097
147,977	Total Income	146,724
4,849	(Surplus)/Deficit on the Provision of Services	(12,256)

3. Other Operating Expenditure

2020-21		2021-22
£000		£000
1,877	Parish council precepts	1,935
687	Payments to the government Housing Capital Receipts Pool	692
(2,201)	(Gains) / losses on the disposal of non-current assets	(1,126)
363		1,502

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4. Financing And Investment Income and Expenditure

2020-21		2021-22
£000		£000
5,280	Interest payable and similar charges	5,112
2,654	Net interest on the net defined benefit liability (Note 27)	2,940
(2,447)	Interest receivable and similar income	(1,878)
(1,242)	(Increase) / Decrease in fair value of investments	(1,452)
(5,852)	Net income and expenditure in relation to investment properties and changes in their fair value	(16,825)
(1,607)		(12,104)

More detail in relation to investment property is provided in note 14.

5. Taxation and Non-Specific Income Grant

This table shows grants received in year from Council Tax, Business Rates, and other grants.

2020-21		2021-22
£000		£000
(11,774)	Council tax income	(12,081)
16,156	Business rates income and expenditure	4,425
(9,704)	Covid Grants	(892)
(19,887)	Non-ringfenced government grants	(10,470)
(8,845)	Capital grants and contributions	(12,735)
(34,054)		(31,753)

The Business rates income and expenditure line above includes the following:

2020-21		2021-22
£000		£000
31,844	Tariff	31,844
0	Contr from NDR pool	0
(261)	Levy	341
(15,427)	Retained income	(27,760)
16,156		4,425

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.

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- The Council paid grants totalling £1,211,002 (£663,033 in 2020-21) 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 £1,193,479 (£609,647 in 2020-21) to voluntary organisations in which a number of councillors and officers were acting as a Borough Council nominee.
- The Council gave support totalling £409,755 (£118,145 in 2020-21) 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 £12,423, (£13,376 in 2020-21) 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 2022, the Council had invested a total of £22.83 million (£18.57 million, in 2020-21) 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 2021 totalled £9.15 million (£7.43 million in 2020-21), with the company continuing to own 100% of the share capital of North Downs Housing Limited.

The Council provides property repair and management services to North Downs Housing Limited. During 2021-22, these services totalled £495,708 (£283,906 in 2020-21), of which £66,529 was unpaid at 31 March 2022 (2021: £622,418).

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>

2020-21		2021-22
£		£
353,398	Basic Allowance	360,399
113,470	Special Responsibility Allowance	108,024
45	Mileage and Subsistence	1,411
466,913		469,834

8. Officers' Remuneration

The following table sets out the remuneration of the council's senior employees for 2021-22. 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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

certain criteria set out in the 2015 Regulations.

Postholder	Note		Salaries, fees and Allowances	Other non salary payments	Expenses allowances	Car lease / other benefits	Termination payments	Total pre-tax remuneration received by employee	Pension contributions	Total remuneration incl. pension contributions	Net cost to GBC
Managing Director (to 31/12/2021)	2021-22		107,195	-	1,352	5,688	154,240	268,475	339,158	607,633	530,513
	2020-21		136,131	-	1,797	7,389	-	145,317	22,938	168,255	168,255
Joint Chief Executive (from 01/12/2021)	2021-22		50,000	-	-	-	-	50,000	8,600	58,600	29,300
	2020-21		-	-	-	-	-	-	-	-	-
Director of Service Delivery	2021-22		102,946	-	4,932	697	-	108,575	17,707	126,282	126,282
	2020-21		79,734	-	3,822	465	-	84,021	13,714	97,735	97,735
Director of Resources (s151 officer)	2021-22		103,773	-	1,803	3,666	-	109,242	17,618	126,860	126,860
	2020-21		98,929	-	3,883	570	-	103,382	16,686	120,068	120,068
Director of Strategy	2021-22		106,100	-	4,932	-	-	111,032	17,605	128,637	128,637
	2020-21		24,353	-	1,193	-	-	25,546	4,189	29,735	29,735
Audit and Performance Manager (to 02/07/2021)	2021-22		22,854	-	488	-	83,005	106,347	-	106,347	106,347
	2020-21		69,644	1,239	3,149	-	-	74,031	4,683	78,714	78,714

The collaboration with Waverley BC started in December 2021 with the appointment of a Joint Chief Executive. As part of this collaboration, and the joint head of paid service, it was agreed that the cost of redundancy was shared between both councils. £32,546 was therefore paid by Waverley BC.

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:

Remuneration Band	2021-22	2020-21
	Number of Employees	Number of Employees
£50,000 - £54,999	26	32
£55,000 - £59,999	15	11
£60,000 - £64,999	8	10
£65,000 - £69,999	9	8
£70,000 - £74,999	3	8
£75,000 - £79,999	4	4
£80,000 - £84,999	1	3
£85,000 - £89,999	0	2
£90,000 - £94,999	0	0
£95,000 - £99,999	0	1
>£100,000	6	1

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.

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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.

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:

Exit Package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
							£	£
£0 - £20,000	8	12	2	4	10	16	142,684	142,684
£20,001 - £40,000	7	14	1	2	8	16	457,595	457,595
£40,001 - £60,000	5	13	0	0	5	13	629,174	629,174
£60,001 - £80,000	0	4	2	0	2	4	272,375	272,375
£80,001 - £100,000	1	3	0	2	1	5	451,361	451,361
£100,001 - £150,000	1	1	0	0	1	1	108,855	108,855
	22	47	5	8	27	55	2,062,044	2,062,044
Less: amounts included above provided for in previous years							-	(498,750)
Add: Amounts provided for in CIES not included in bandings							-	-
Total cost included in CIES							2,062,044	1,563,294

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

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:

2020-21		2021-22
£'000		£'000
80	External audit services carried out by the appointed auditor for the year	95
21	Certification of grant claims and returns	71
0	Other services	0
101	Total	166

10. Grant Income

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

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- 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 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.

2020-21		2021-22
£'000		£'000
	Credited to Taxation and Non Specific Grant Income	
(4,382)	Collection Fund (NDR and Council Tax)	7,656
	<u>Non-ringfenced government grants</u>	
851	New Homes Bonus	192
18,871	s31 grant - Business Rates Retention Scheme & Council Tax	10,270
8	Transition grant	0
2	New Burdens grants	9
9,859	COVID	892
8,845	Capital grants and contributions	12,735
34,054	Total	31,753
	Credited to Services	
14,005	Housing Benefit Rent Allowance subsidy	13,006
11,099	Housing Benefit Rent Rebate subsidy	11,269
660	Housing Benefit Administration	0
479	Day care and other social services	962
459	Business Rate Collection	223
17,249	Covid grants	19,678
10,284	Other	1,860
54,235	Total	46,997

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This table is a summary of the Covid Grants received:

Grant	Gross Inc £'000	Gross Exp £'000	Net Inc £'000
1,282 Covid Impact Grant	-623		-623
- 7,591 Compensation for lost income	-1,450		-1,450
- 4,599 Grants where the Council acted as Agent	-16,994	16,778	-216
- 89 Business grants where the Council acted as principa	-2,818	2,381	-437
- 1,275 Other			
-12,272	-21,884	19,159	-2,726

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.

- 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.

	Balance at 31 March 2021 £000	Transfers In 2021-22 £000	Transfers Out 2021-22 £000	Balance at 31 March 2022 £000
General fund:				
Interest Rate Movements	1,197	-	146	1,051
New Homes Bonus	747	192	918	21
Carried Forward Items	552	-	-	552
Invest to Save	2,420	250	1,862	807
ICT Renewals	544	1,577	717	1,404
Insurance	975	17	-	992
Spectrum	2,012	193	271	1,933
Car Parks Maintenance	3,566	63	648	2,980
Park & Ride	1,650	-	-	1,650
Business Rates equalisation	22,760	20,090	20,085	22,765
Special Protection Areas (SPA) sites	10,193	1,431	50	11,574
Budget Pressures	117	620	-	737
BR Covid discount	11,582	487	10,765	1,304
Other reserves	5,973	1,128	1,112	5,990
Total	64,288	26,049	36,575	53,762
HRA:				
Capital Programme	38,329	2,500	-	40,829
New Build	59,383	7,840	3,824	63,398
Total	97,712	10,340	3,824	104,227

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Reserve	Purpose of reserve
Budget pressures	Set up to allow us to manage the budget reduction required over the next five years
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
Car parks maintenance	Used to fund repairs, maintenance and improvements in the Council's off street car parks
Invest to save	This reserve funds investment opportunities that will allow us to achieve ongoing savings, and short term increases in revenue costs during periods of transition
IT renewals	Receives repayments from services to fund expenditure as set out in the Council's Information and Communication Technology (ICT) strategy
New homes bonus	New Homes Bonus is a general grant that we receive from the UK government. It is not ring-fenced for any specific purpose
Park and ride	This reserve will be used to fund future park and ride sites
Special Protection Area (SPA) sites	Set up to hold s106 income received in relation to various SPA sites
Spectrum	This reserve is available to finance structural repairs and improvements to Spectrum Leisure Centre
Other	Consists of reserves with balances of less than £1 million, which have been earmarked for a range of different purposes e.g. insurance, pensions, protection from interest rate movements, legal actions, and energy management schemes
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.

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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 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 2022 and other property as at 31 January 2022. The assets were inspected between October 2021 and January 2022 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

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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.

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	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	11,637	30,404	-	42,040
Valued at current value as at:					
31-Mar-22	562,967	160,640	-	5,366	728,973
31-Mar-21	-	9,332	-	-	9,332
31-Mar-20	497	9,232	-	-	9,729
31-Mar-19	-	37,161	-	-	37,161
31-Mar-18	-	16,223	-	-	16,223
Total Cost or Valuation	563,463	244,225	30,404	5,366	843,458

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

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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.

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)

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- 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)

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.

Movement in 2021-22:	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2021	525,185	237,881	30,646	17,113	7,768	125	7,354	826,072
Additions	15,218	865	1,312	1,761	-	-	17,000	36,156
Disposals	(6,097)	-	(1,533)	-	-	-	-	(7,630)
Accumulated depreciation written off to cost or valuation	(4,753)	(4,671)	-	-	-	(8)	(600)	(10,032)
Revaluations recognised in the revaluation reserve	32,756	9,164	-	-	-	5,164	1,877	48,961
Revaluations recognised in the surplus on provision of services	1,154	985	-	-	-	85	-	2,224
Transfers	-	-	-	-	-	-	-	-
At 31 March 2022	563,463	244,224	30,425	18,874	7,768	5,366	25,631	895,751
Accumulated Depreciation								
At 1 April 2021	32	8,369	22,629	5,138	45	8	600	36,821
Charge for 2021-22	5,764	6,127	2,254	638	1	2	-	14,786
Disposals	(49)	-	(1,512)	-	-	-	-	(1,561)
Revaluations	(4,753)	(4,672)	-	-	-	(8)	-	(9,433)
Impairment	-	-	-	-	-	-	(600)	(600)
Transfers	-	-	-	-	-	-	-	-
At 31 March 2022	994	9,824	23,371	5,776	46	2	0	40,013
Net book Value								
As at 31 March 2022	562,469	234,400	7,054	13,098	7,722	5,364	25,631	855,738

The prior year comparison is in the table below:

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Movement in 2020-21:	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2020	510,110	232,737	27,508	16,699	6,053	125	20,971	814,203
Additions	9,470	429	3,600	414	1,715	-	831	16,459
Disposals	(1,891)	-	(462)	-	-	-	-	(2,353)
Accumulated depreciation written off to cost or valuation	(5,546)	(4,416)	-	-	-	-	-	(9,962)
Revaluations recognised in the revaluation reserve	12,892	246	-	-	-	-	-	13,138
Revaluations recognised in the surplus on provision of services	150	(3,657)	-	-	-	-	-	(3,507)
Transfers	-	12,542	-	-	-	-	(14,448)	(1,906)
At 31 March 2021	525,185	237,881	30,646	17,113	7,768	125	7,354	826,072
Accumulated Depreciation								
At 1 April 2020	3	6,957	20,824	4,942	44	6	642	33,418
Charge for 2020-21	5,589	5,786	2,201	196	1	2	-	13,775
Disposals	(14)	-	(396)	-	-	-	-	(410)
Revaluations	(5,546)	(4,416)	-	-	-	-	-	(9,962)
Impairment losses	-	-	-	-	-	-	-	0
Transfers	-	42	-	-	-	-	(42)	0
At 31 March 2021	32	8,369	22,629	5,138	45	8	600	36,821
Net book Value								
As at 31 March 2021	525,153	229,512	8,017	11,975	7,723	117	6,754	789,251

Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of PP&E in 2021-22 and future years budgeted to cost £21.75 million compared to commitments at 31 March 2021 of £16.8 million.

The major commitments are:

- Midleton industrial estate redevelopment Phase 4 £4.25 million
- Weyside Urban Village – £17.5 million

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:

- Monuments, including Guildford Castle and Chilworth Gunpowder Mills
These assets are ruins for which it is not possible to obtain a current valuation. They

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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

	Monuments £000	Civic Regalia etc £000	Art Collection £000	Total Assets £000
Cost or Valuation				
At 1 April 2020	1,011	1,759	805	3,575
Additions	187	-	-	187
At 31 March 2021	1,198	1,759	805	3,762
Cost or Valuation				
At 1 April 2021	1,198	1,759	805	3,762
Additions	4	-	-	4
At 31 March 2022	1,202	1,759	805	3,766

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

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.

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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:

2020-21		2021-22
£000		£000
7,769	Rental income from investment property	8,169
(1,214)	Direct operating expenses arising from investment property	(1,058)
6,555	Net gain	7,110

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

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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 2021-22 is £nil million, the value in 2020-21 was £2.34 million

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

2020-21		2021-22
£000		£000
153,413	Balance at start of the year	159,429
4,354	Additions	4,732
0	Disposals	0
1,906	Transfers	0
(244)	Net gains/(losses) from fair value adjustments	10,096
159,429	Balance at end of the year	174,257

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.

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

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2020-21		2021-22
£000		£000
	Balance at start of the year:	
6,779	Gross carrying amount	7,966
(4,480)	Accumulated amortisation	(5,109)
2,299	Net carrying amount at start of year	2,857
1,187	Purchases	710
(629)	Amortisation for the period	(805)
2,857	Net carrying amount at end of year	2,762
	Comprising:	
7,966	Gross carrying amount	8,676
(5,109)	Accumulated amortisation	(5,914)

16. Assets Held For Sale

2020-21		2021-22
£000		£000
431	Balance at start of the year	0
0	Assets purchased	0
	<u>Assets newly classified as held for sale:</u>	
	Property, Plant and Equipment	
(431)	Assets sold	0
0	Balance at end of the year	0

There were no assets identified for sale in the 12 months following the balance sheet date.

17. Short Term Debtors

31 March 2021		31 March 2022
£000		£000
14,849	Central & local government bodies	5,054
22,399	Other entities and individuals: general	14,278
15,667	Other entities and individuals: CT & NNDR	10,048
52,915	Total	29,380

During 2020-21 the Council introduced a debt suspension in the year because of Covid-19 and also relaxed debt recovery. There was also a large debtor relating to outstanding s31 grants relating to the Collection Fund. This is starting to unwind in 2021-22

18. 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:

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31 March 2021 £000		31 March 2022 £000
4	Cash held by the Council	3
94	Bank current accounts	1,354
39,545	Callable deposits	34,153
39,643	Total Cash and Cash Equivalents	35,510

19. Short Term Creditors

31 March 2021 £000		31 March 2022 £000
8,549	Central & Local government bodies	15,756
25,216	Other entities and individuals	20,923
22,820	Receipts in Advance	18,092
56,585	Total	54,772

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

20. 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.

The Council's provisions consist of six items totalling £3.2 million (£5.9 million in 2020-21).

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	Outstanding legal cases £000	Business Rates appeals £000	Other provisions £000	Total £000
Balance at 31 March 2020	52	2,932	774	3,758
Additional provisions made	0	8,160	664	8,824
Amounts used	0	(6,538)	(85)	(6,623)
Unused amounts reversed	0	0	0	0
Balance at 31 March 2021	52	4,554	1,353	5,959
Additional provisions made	0	2,624	0	2,624
Amounts used	0	(4,304)	(1,059)	(5,363)
Unused amounts reversed	0	0	0	0
Balance at 31 March 2022	52	2,874	294	3,220

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 £8.1 million was added into the reserve and £6.538 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.

21. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

£000		£000
1,708	Interest received	2,687
(5,255)	Interest paid	(4,979)

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

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2020-21		2021-22
£000		£000
13,775	Depreciation	14,786
3,507	Revaluation gains on PP&E	(2,225)
629	Amortisation of intangible assets	806
6,182	Increase / (decrease) in creditors	16,247
(41,628)	(Increase) / decrease in debtors	25,037
58	(Increase) / decrease in inventories	85
198	Movement in pension liability	10,665
2,373	Carrying amount of non-current assets sold	6,068
2,060	Other adjustments	(14,286)
(12,846)		57,183

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

2020-21		2021-22
£000		£000
0	Proceeds from short and long-term investments	0
(8,847)	Other items	(12,735)
(4,559)	Proceeds from the sale of non-current assets	(7,176)
(13,406)		(19,911)

Other items include capital grants

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Technical Notes To The Accounts

The following notes are more technical in nature and provide additional accounting detail supporting the primary statements and notes.

22. Adjustments Between Accounting And Funding Basis Under Regulations

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

2021-22	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Mvt in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (trf to / (from) the Pensions Reserve)	10,154	511	-	-	-	(10,665)
Council tax and Business Rates (trf to the Collection Fund Adjustment Account)	(13,876)	-	-	-	-	13,876
Reversal of entries in the Surplus or Deficit on the Provision of Services re capital expenditure (charged to CAA)	18,542	10,921	(393)	-	-	(29,070)
Movements in the market value of Investment Properties (transferred from CAA)	(10,077)	(20)	-	-	-	10,097
Capital grants and contributions unapplied credited to the CIES	(12,705)	(30)	-	-	12,735	-
Benefit accrual	(473)	-	-	-	-	473
IFRS9 statutory reversal	(53)	-	-	-	-	53
Total Adjustments to Revenue Resources	(8,488)	11,382	(393)	-	12,735	(15,236)
Adjustments between Revenue and Capital Resources						
Tfr of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(984)	(6,191)	7,175	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	692	-	(692)	-	-	-
Posting of HRA resources from revenue to the MRR	-	(5,865)	-	5,865	-	-
Statutory provision for the repayment of debt (transfer from CAA)	(1,381)	-	-	-	-	1,381
Capital expenditure financed from revenue balances (transfer to CAA)	(1,609)	(3,824)	-	-	-	5,433
Total Adjustments	(3,282)	(15,880)	6,483	5,865	-	6,813
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(4,308)	-	-	4,308
Use of the MRR to finance capital expenditure	-	-	-	(8,153)	-	8,153
Application of capital grants and contributions to finance capital expenditure	-	-	-	-	(12,966)	12,966
Total Adjustments to Capital Resources	-	-	(4,308)	(8,153)	(12,966)	25,427
Total adjustments	(11,770)	(4,498)	1,783	(2,289)	(230)	17,004

The housing capital receipts payment (£692,000) is the statutory minimum the Council has to pay to the Government. No repayments of 141 receipts were payable in 2021/22.

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2020-21	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Mvt in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (trf to / (from) the Pensions Reserve)	(275)	473	-	-	-	(198)
Council tax and Business Rates (trf to the Collection Fund Adjustment Account)	23,722	-	-	-	-	(23,722)
Reversal of entries in the Surplus or Deficit on the Provision of Services re capital expenditure (charged to CAA)	27,761	7,505	-	-	-	(35,266)
Movements in the market value of Investment Properties (transferred from CAA)	589	-	-	-	-	(589)
Capital grants and contributions unapplied credited to the CIES	(7,246)	(1,599)	-	-	8,845	-
Benefit accrual	0	-	-	-	-	0
IFRS9 statutory reversal	(1,232)	-	-	-	-	1,232
Total Adjustments to Revenue Resources	43,319	6,379	-	-	8,845	(58,543)
Adjustments between Revenue and Capital Resources						
Tfr of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,571)	(1,988)	4,559	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	687	-	(687)	-	-	-
Posting of HRA resources from revenue to the MRR	-	(5,686)	-	5,686	-	-
Statutory provision for the repayment of debt (transfer from CAA)	(1,288)	-	-	-	-	1,288
Capital expenditure financed from revenue balances (transfer to CAA)	(3,022)	(4,818)	-	-	-	7,839
Total Adjustments	(6,194)	(12,492)	3,872	5,686	-	9,127
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(8,902)	-	-	8,902
Use of the MRR to finance capital expenditure	-	-	-	(3,661)	-	3,661
Application of capital grants and contributions to finance capital expenditure	-	-	-	-	(8,669)	8,669
Total Adjustments to Capital Resources	-	-	(8,902)	(3,661)	(8,669)	21,232
Total adjustments	37,125	(6,113)	(5,030)	2,025	176	(28,183)

General Fund balance – this is 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.

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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.

23. 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.

31 March 2021 £000		31 March 2022 £000
251,332	Revaluation Reserve	294,156
1,657	Financial Instruments Reserve	1,710
395,869	Capital Adjustment Account	415,274
(143,258)	Pensions Reserve	(116,284)
(24,236)	Collection Fund Adjustment Account	(10,360)
(686)	Accumulated Absences Account	(213)
480,678		584,283

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.

2020-21 £000			2021-22 £000
242,599	Balance at 1 April		251,332
(5,365)	Upward / (downward) revaluation of assets	51,948	
18,823	(Upward) / downward revaluation of assets not charged to the Surplus on Provision of Services	(2,985)	
13,458	Surplus on revaluation of non-current assets not posted to the Surplus on Provision of Services		48,963
(4,181)	Difference between fair value depreciation and historical cost depreciation	(4,506)	
(544)	Accumulated gains on assets sold or scrapped	(1,633)	
(4,725)	Amounts written off to the Capital Adjustment Account		(6,140)
251,332	Balance at 31 March		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.

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2020-21		2021-22
£000		£000
425	Balance at 1 April	1,657
1,232	Upward/(downward) revaluation of investment in year	1,077
0	(Gain) / Loss on sale of investment	(1,024)
1,657	Balance at 31 March	1,710

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.

2020-21			2021-22
£000			£000
396,637	Balance at 1 April		395,869
	<u>Reversal of items debited or credited to the CIES:</u>		
(13,775)	Charge for depreciation of non-current assets	(14,785)	
(3,507)	Revaluation gains / (losses) on PPE	2,225	
(629)	Amortisation of intangible assets	(806)	
(15,005)	Revenue expenditure funded from capital under statute	(10,030)	
(2,373)	Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	(6,068)	
(35,289)			(29,463)
4,725	Adjusting amounts written out of the Revaluation reserve		6,140
(30,564)	Net written out amount of the cost of non-current assets consumed in the year		(23,323)
	<u>Capital financing applied in the year:</u>		
8,902	Use of the Capital Receipts Reserve to finance new capital expenditure	4,701	
3,662	Use of the Major Repairs Reserve to finance new capital expenditure	8,153	
8,669	Use of capital grants and contributions to finance new capital expenditure	12,966	
1,288	Provision for the financing of capital investment charged against the GF and HRA balances (MRP)	1,381	
7,839	Capital expenditure charged against the GF and HRA balances	5,433	
30,360			32,633
(564)	Movements in the market value of Investment Properties debited or credited to the CIES		10,097
395,869	Balance at 31 March		415,274

Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for

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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.

2020-21		2021-22
£000		£000
(113,567)	Balance at 1 April	(143,258)
(29,493)	Remeasurements of the net defined benefit liability	37,639
(10,512)	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(14,588)
10,314	Employer's pensions contributions and direct payments to pensioners payable in the year	3,923
(143,258)	Balance at 31 March	(116,284)

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.

2020-21		2021-22
£000		£000
(515)	Balance at 1 April	(24,236)
(23,721)	Amount by which council tax and non-domestic rates income credited to the CIES is different from income calculated for the year in accordance with statutory requirements	13,876
(24,236)	Balance at 31 March	(10,360)

24. 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

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to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

2020-21							2021-22
£'000							£'000
314,996	<i>Opening Capital Financing Requirement</i>						326,761
	<i>Capital Investment</i>						
18,963	Operational assets						19,139
2,038	Non-operational assets						21,732
1,187	Intangible assets						710
2,959	Long Term Investments						1,723
1,973	Long term debtors						2,575
15,005	Revenue Expenditure Funded from Capital under Statute						9,637
	<i>Sources of finance</i>						
(7,126)	Specific Capital Grants						(12,529)
(8,902)	Capital Receipts						(4,308)
(1,543)	Contributions						(437)
(9,128)	Direct Revenue Financing and MRP / VRP						(6,813)
(3,661)	HRA Major Repairs Reserve						(8,153)
326,761	<i>Closing Capital Financing Requirement</i>						350,036
11,765	<i>Movement during the year</i>						23,275
	Increase in underlying need to borrow						
	(unsupported by government financial assistance)						

25. 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

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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 included on the Balance Sheet at the following net amounts:

2020-21		2021-22
£'000		£'000
3,022	Council Dwellings	3,015
10,483	Other Land & Buildings	9,844
13,505		12,859

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:

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2020-21		2021-22
£'000		£'000
7,089	Less than one year	6,349
23,297	one year to five years	22,076
314,311	Later than five years	309,123
344,697		337,548

26. 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.

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 2020-21 this would be the valuation carried out as at March 2019.

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.

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- 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
 - 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 FIIE 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

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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 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:

2020-21		2021-22
£000		£000
	Comprehensive Income & Expenditure Statement	
	Service Cost	
7,832	Current service cost	11,009
26	Past service cost (including curtailments)	639
7,858	Total Service Cost	11,648
	Financing and Investment Income and Expenditure:	
(4,000)	Interest income on plan assets	(4,609)
6,654	Interest cost on defined benefit obligation	7,549
2,654	Total Net Interest	2,940
10,512	Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	14,588
	Remeasurement of the Net Defined Liability comprising:	
48,767	Return on plan assets excluding amounts included in net interest	10,859
(81,268)	Actuarial (gains)/losses arising from changes in financial & demographic assumptions	27,445
3,008	Other experience	(665)
(29,493)	Total remeasurements recognised in Other Comprehensive Income (OCI)	37,639
(18,981)	Total Post Employment Benefits charged to the CIES	52,227

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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:

2020-21		2021-22
£000		£000
	Movement in Reserves Statement	
(10,512)	Reversal of net charges made to the Surplus or Deficit on the provision of services for post employment benefits in accordance with the code	(14,588)
	<u>Actual amount charged against the General Fund Balance for pensions in the year:</u>	
10,314	Employers' contributions payable to scheme	3,923

Reconciliation of the Movements in the Fair Value of the Scheme Assets:

2020-21		2021-22
£000		£000
231,846	Fair value of plan assets	244,844
(371,988)	Present value of funded liabilities	(358,264)
(3,116)	Present value of unfunded liabilities	(2,864)
(143,258)	Net Liability arising from Defined Benefit Obligation	(116,284)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2020-21		2021-22
£000		£000
231,846	Opening fair value of the scheme assets	288,433
4,000	Interest income	4,609
	Remeasurement gain	
48,767	Return on plan assets excluding amounts included in net interest	10,859
10,314	Contributions from employer	3,923
1,474	Contributions from employees into the scheme	1,462
(7,968)	Benefits paid	(7,855)
288,433	Closing Fair Value of Scheme Assets	301,431

2020-21		2021-22
£000		£000
288,826	Opening fair value of the scheme liabilities	379,503
7,832	Current service cost	11,009
6,654	Interest cost	7,549
1,474	Contributions from scheme participants	1,462
	Remeasurement gain	
81,268	Actuarial (gains)/losses arising from changes in financial assumptions	(27,445)
665	Other	665
639	Past Service Cost	639
(7,855)	Benefits paid	(7,855)
379,503	Closing Fair Value of Scheme Liabilities	365,527

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2021-22**

Pension Scheme Assets Comprised:

Asset Category	31-Mar-22				31-Mar-21			
	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Totals £(000s)	%	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Totals £(000s)	%
Equity Securities:								
Consumer	4,286.4	-	4,286.4	2%	5,022.0	-	5,022.0	2%
Manufacturing	3,415.2	-	3,415.2	1%	2,529.1	-	2,529.1	1%
Energy and utilities	759.2	-	759.2	0%	488.3	-	488.3	0%
Financial Institutions	2,841.4	-	2,841.4	1%	3,021.2	-	3,021.2	1%
Health and Care	2,925.0	-	2,925.0	1%	2,124.6	-	2,124.6	1%
Information Technology	7,661.5	-	7,661.5	3%	7,018.0	-	7,018.0	3%
Other	-	-	-	0%	-	-	-	0%
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	0%	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	-	8,419.4	8,419.4	3%	-	10,745.6	10,745.6	5%
Other	-	-	-	0%	-	-	-	0%
Private Equity								
All	-	24,061.6	24,061.6	10%	-	15,904.2	15,904.2	7%
Real Estate								
UK Property	3,174.20	6,594.90	9,769.1	4%	3,318.60	5,086.90	8,405.5	4%
Overseas Property	-	5,218.70	5,218.7	2%	-	4,095.00	4,095.0	2%
Investment Funds and Unit Trusts								
Equities	143,772.4	-	143,772.4	59%	137,268.0	-	137,268.0	59%
Bonds	26,816.8	-	26,816.8	11%	29,239.0	-	29,239.0	13%
Hedge funds	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Derivatives								
Inflation	-	-	-	-	-	-	-	-
Interest Rate	-	-	-	-	-	-	-	-
Foreign Exchange	(991.5)	-	(991.5)	0%	707.8	-	707.8	0%
Other	-	-	-	-	-	-	-	-
Cash and Cash Equivalents								
All	6,161.8	-	6,161.8	3%	5,277.0	-	5,277.0	2%
Totals	200,822	44,295	245,117	100%	196,014	35,832	231,845	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 2019. The main financial assumptions used in their calculation have been:

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2020-21		2021-22
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.3 years	Men	22.1 years
24.7 years	Women	24.5 years
	Longevity at 65 for future pensioners:	
23.4 years	Men	23.1 years
26.4 years	Women	26.2 years
2.9%	Rate of Inflation (CPI)	3.2%
3.8%	Rate of increase in salaries*	4.1%
2.9%	Rate of increase in pensions	3.2%
2.0%	Rate for discounting scheme liabilities	2.7%

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

Change in Assumptions at 31 March 2022	Approximate % increase to Employer	Approximate monetary amount (£000)
0.1% decrease in Real Discount rate	2%	7,007
0.1% increase in the Salary Increase Rate	4%	14,445
0.1% increase in the Pension Increase Rate	2%	6,337
1 year increase in member life expectancy	0%	615

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 2019 applies from 1 April 2020.

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.

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The weighted average duration of the defined benefit obligation for scheme members is 21 years.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £116 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.

27. 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.

Municipal Mutual Insurance Limited may claim an amount of up to £517,000 in relation to the company's liability for asbestos induced mesothelioma claims arising on the Council's liability account. During 2012-13 the directors of Municipal Mutual Insurance Limited triggered the scheme of arrangement, with an initial levy rate of 15%. A further levy of 10% was raised in 2015-16. The Council has paid both of them. There may be further levies at some time in the future, but there is no indication of when or how much.

28. 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.

29. 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.

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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 Council's 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.

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

FINANCIAL LIABILITIES	Long-term		Short-term	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
<u>Borrowing</u>				
<u>Loans at amortised cost</u>				
- Principal sum borrowed	169,599	147,435	134,136	163,500
- Accrued interest	-	-	162	276
- Internal charities	-	-	(4)	(2)
Total Borrowing	169,599	147,435	134,294	163,774
<u>Loans at amortised cost</u>				
- Bank overdraft	-	-	-	-
Total Cash Overdrawn	-	-	-	-
<u>Creditors</u>				
Trade Creditors	-	-	5,756	9,880
Other Creditors	-	-	25,942	25,598
Total Creditors	-	-	31,698	35,478
TOTAL FINANCIAL LIABILITIES	169,599	147,435	165,992	199,253

The short-term creditors line on the balance sheet include £12.9 million (£21.1 million in 2020-21) short-term creditors that do not meet the definition of a financial liability.

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 2022, 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.

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Financial Liabilities	Fair Value Level	Balance sheet 31 March 2022 £'000	Fair value 31 March 2022 £'000	Balance sheet 31 March 2021 £'000	Fair value 31 March 2021 £'000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	169,599	175,161	147,435	171,307
TOTAL		169,599	175,161	147,435	171,307
Liabilities for which fair value is not disclosed		165,992		199,252	
TOTAL FINANCIAL LIABILITIES		335,591		346,687	
<i>Recorded on balance sheet as:</i>					
Long-term creditors		-		9,880	
Long-term borrowing		169,599		147,435	
Short-term creditors		31,698		25,598	
Short-term borrowing		134,294		163,774	
TOTAL FINANCIAL LIABILITIES		335,591		346,687	

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.

The fair value of long-term PWLB loans held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher 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

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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)

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 in August 2021

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 Pooled Investment Funds 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.

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2021-22**

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

FINANCIAL ASSETS	Long-term		Short-term	
	31 March	31 March	31 March	31 March
	2022	2021	2022	2021
	£000	£000	£000	£000
Investments				
<u>Amortised cost</u>				
- Principal	27,842	16,524	72,611	84,857
- Accrued interest	-	-	252	421
<u>Fair value through profit and loss</u>				
- Fair value	11,333	10,498	17,949	15,691
- Accrued interest	-	-	62	-
Total Investments	39,174	27,022	90,874	100,969
Cash and Cash Equivalents				
<u>Amortised cost</u>				
- Cash	-	-	1,357	98
- Cash equivalents	-	-	2,250	322
<u>Fair value through profit and loss</u>				
- Cash equivalents	-	-	31,900	39,223
- Accrued interest	-	-	4	-
Total Cash and Cash Equivalents	-	-	35,510	39,643
Debtors				
Trade Debtors	-	-	12,760	16,574
Other Debtors	15,714	11,209	-	-
Total Debtors	15,714	11,209	12,760	16,574
TOTAL FINANCIAL ASSETS	54,888	38,321	139,144	157,186

The short-term debtors line in the balance sheet includes £16.62 million (£36.341 million in 2020-21) short-term debtors that do not meet the definition of a financial asset.

Financial assets	Fair value level	Balance sheet	Fair value	Balance sheet	Fair value
		31 March 2022	31 March 2022	31 March 2021	31 March 2021
		£'000	£'000	£'000	£'000
<i>Financial assets held at fair value:</i>					
Money market funds	1	31,904	31,904	39,223	-
Bond, equity and property funds	1	2,067	2,067	1,970	-
Shares in unlisted companies	3	9,265	9,265	8,527	8,527
<i>Financial assets held at amortised cost:</i>					
Corporate, covered and government bonds	1	32,008	32,051	19,226	13,239
Long-term loans to local authorities	2	20,000	19,952	4,500	5,009
TOTAL		95,244	95,239	73,446	26,775
Assets for which fair value is not disclosed		98,786		158,323	
TOTAL FINANCIAL ASSETS		194,031		231,769	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		15,714		11,209	
Long-term investments		39,174		27,022	
Short-term debtors		12,760		16,574	
Short-term investments		90,873		100,985	
Cash and Cash Equivalents		35,510		39,643	
TOTAL FINANCIAL ASSETS		194,031		195,433	

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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.

The shares in unlisted companies comprise of Guildford Borough Council Holdings Ltd, B4SH and Surrey Save Shares.

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 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:

2020-21					2021-22			
Financial Liabilities (amortised cost) £000	Financial Assets: Amortised cost £000	Financial Assets: Fair Value through P&L £000	Total £000		Financial Liabilities (amortised cost) £000	Financial Assets: Amortised cost £000	Financial Assets: Fair Value through P&L £000	Total £000
5,280	0	0	5,280	Interest expense	5,112	0	0	5,112
0	0	0	0	(Gains) / losses on revaluation	0	0	(1,077)	(1,077)
5,280	0	0	5,280	Total expense in Surplus on the Provision of Services	5,112	0	(1,077)	4,035
0	1,699	748	2,447	Interest income	0	1,384	494	1,878
0	1,699	748	2,447	Total income in Surplus on the Provision of Services	0	1,384	494	1,878
0	0	0	0	(Gains) / losses on revaluation	0	0	0	0
0	0	0	0	(Surplus) / deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0
5,280	1,699	748	7,727	Net (gain)/loss for the year	5,112	1,384	(583)	5,913

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.

30. 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).

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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 MHCLG Guidance on Local Government Investments. This Guidance emphasises that priority is 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 2021-22 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 £15.3 million 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:

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Investment type	Credit Rating	Long term		Short term	
		31 Mar 22 £000	31 Mar 21 £000	31 Mar 22 £000	31 Mar 21 £000
Covered Bonds	AAA	6,274	12,024	9,136	5,151
Gilts (UK Government)	AA-			15,005	2,093
Local authorities	A+				5,001
Local authorities	A			5,002	10,002
Notice Account	A1			3,011	9,010
Housing associations	A3			6,012	
Housing associations	A-				2,002
Bond held in custody	A	1,568			
Local authorities	n/a	20,000	4,500	34,672	51,953
Guildford Holdings	n/a	9,153	8,418		
Surrey Save Shares	n/a	100	100		
B4SH	n/a	13	10		
Money Market Funds	AAA			31,904	39,223
Call Accounts	AA-			2,250	322
Investment Funds	n/a	2,067	1,970	17,237	15,758
Total Investments		39,174	27,022	124,228	140,515

Loss allowance on treasury investments have been calculated by reference to historic default data published by credit ratings. The resulting loss allowance was immaterial, so no adjustment has been made in the accounts.

Credit Risk: Trade Receivables

The Council does not generally allow credit for customers. Of the total debt outstanding £5.735 million relating to services that the Council has invoiced for is past its due date for payment. The past due amount can be analysed by age as follows:

		Debtors	
31 March 2021			31 March 2022
£'000			£'000
7,278	Less than six months		5,826
1,579	Six months to one year		1,347
2,438	More than one year		3,311
11,295			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):

- The market valuation at 31 March 2022 of the 48 properties purchased prior to 1 April 2021 stood at £19.0 million.
- We purchased another 15 properties in 2021-22 with expenditure of £4.56 million, bringing the total asset value to be £23.63 million.
- The company is financed by through a loan (£13.72 million) and equity (£9.15 million)

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million) from the Council. The loan represents 58% of the company assets, while equity represents 39% of total assets.

- The company business plan always assumed it was loss making in the first 5-years, the purchase of properties has been slower than planned so it is therefore assumed the period of making a loss is now the first 8 years.
- The company is 100% wholly owned and the assets revert back to the Council if the company becomes insolvent.
- The [RICS July 2022 UK rental market survey](#) indicates that the rental market remains buoyant.
- In addition, [unemployment is low locally](#) which would indicate a steady property rental market going forward.

(<https://www.nomisweb.co.uk/reports/lmp/la/1946157330/report.aspx>)

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:

Loans Maturity (Liquidity Risk)		
31 March 2021		31 March 2022
£'000		£'000
Short Term Borrowing		
163,500	Less than one year	134,136
Long Term Borrowing		
45,000	Over 1 but not over 2 years	10,318
30,000	Over 2 but not over 5 years	32,227
35,000	Over 5 but not over 10 years	58,182
25,000	Over 10 but not over 15 years	25,636
40,000	Over 15 but not over 20 years	32,435
17,435	Over 45 years	10,800
355,935	Total Borrowings	303,735

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:

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- 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 £1.8 million, and an increase in interest payable on loans of approximately £2.8 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.

31. North Downs Housing Ltd

As at 31 March 2022, North Downs Housing Ltd had purchased 81 properties (2020-21: 65 properties), compared with the original business plan of 100 properties. The Council has invested £22.86 million (2020-21: £18.57million) in the company through a mix of equity and loan finance.

The net profit for year 2021-22 was £453,978 (2020-21 net loss £339,870). The company generated a net cash outflow for 2021-22 of £484,446 (2020-21 net cash inflow £575,807).

32. 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

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Council might be impaired. The factors taken into account in concluding that the Council continues to be a going concern include our level of 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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2022 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	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for	If the level of successful appeals varies by 1%, it would increase or decrease the appeals provision

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>successful appeals against business rates charged to businesses in 2021-22 and earlier years, in their proportionate share.</p> <p>A provision of £2.8 million, of which the Council's share is £1.1 million, has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2022. The provision has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date.</p>	<p>by £280,000, 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 £112,000, which would increase or decrease the surplus on provision of services in the Comprehensive Income and Expenditure Statement.</p>
<p>Property, Plant and Equipment (PP&E) and Investment property</p>	<p>PPE and investment property are included in the balance sheet at fair value of £855 million and £174 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 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.</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 £10 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 form part of the adjustment between accounting basis and funding basis under regulations.</p>
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions of £116 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.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £35 million. A 0.5% increase in the salary increase rate would result in an increase in the pension liability of £3 million and a 0.5% increase in the Pensions increase rate would result in an increase in the pension liability of £31 million.</p>
<p>Debtors</p>	<p>At 31 March 2022, the Council was owed approximately £15.7 million in long term debtors (greater than 12 months) and £29.3 million in short term debtors (due in less than 12 months).</p> <p>A review of significant balances suggested that an allowance for doubtful debts of £10 million with £2.8 million being for trade debtors was appropriate.</p>	<p>If collection rates for trade debtors were to deteriorate, a 50% increase in the amount of doubtful debts would require an additional £1.4 million to set aside as an allowance.</p>

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

IFRS16 – Leases: this standard has been delayed several times and is due to be implemented 1 April 2024.

There are no other changes in accounting requirements for 2022-23 that are anticipated to have a material impact on the Council's financial performance or financial position.

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

Housing Revenue Account (HRA) Income And Expenditure Statement

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

2020-21		NOTE	2021-22
£000			£000
	Income		
	Gross Rent Income	1	
29,708	Dwellings		29,177
1,296	Non-dwellings		1,070
1,089	Charges for Services and Facilities		2,556
203	Supporting People Grant		105
32,296	Total Income		32,908
	Expenditure		
6,453	Repairs and Maintenance		6,079
4,658	Supervision and Management		4,822
0	Increased Provision for Bad or Doubtful Debts		0
5,686	Depreciation & other capital items	8	6,028
(175)	Revaluation (gain)/loss		(1,174)
217	Debt Management Expenses		227
102	Other Expenditure		1,017
16,942	Total Expenditure		16,998
(15,354)	Net Income of HRA Services per Comprehensive Income & Expenditure Statement		(15,910)
285	HRA Share of Corporate & Democratic Core		298
(15,069)	Net Income of HRA Services		(15,612)
(12)	HRA Investment Income		(106)
4,902	Interest payable		4,880
(106)	(Gain) / Loss on sale of HRA fixed assets		(3)
(1,598)	Capital grants and contributions		(173)
(11,883)	Surplus for year on HRA services		(11,014)

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

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).

2020-21			2021-22
			£000
2,500	Balance on the HRA at the end of the previous year		2,500
11,883	Surplus for the year on the HRA Income and Expenditure Account	11,014	
(6,113)	Adjustments between accounting basis and funding basis under statute (see note 23 to the Accounts)	(4,498)	
5,770	Net increase before transfers to reserves	6,516	
(5,770)	Transfers to reserves (see note 12 to the Accounts)	(6,516)	
0	Increase in year on the HRA		(0)
2,500	Balance on the HRA at the end of the current year		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 £1,500,439 or 5.01% of gross rent income from dwellings (£1070,013.39 or 3.59% for 2020-21). Average rents were £115.74 per week in 2021-22, a increase of £2.00 over the previous year.

2. Rent Arrears

At 31 March 2022, rent arrears were £1,142,807, (including £474,501 former tenant arrears) or 3.8% of gross rent income. The comparable figures for 2020-21 were £294,250 (including £218,301 former tenant arrears) of gross rent income.

The provision for bad debts at 31 March 2022 as £969,281. The comparable figure for 2020-21 was £938,617.

Amounts written off in the year amounted to £72,113.62 (£36,036 in 2020-21)

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

3. Housing Stock

The Council was responsible for managing on average 5,099 dwellings in 2021-22, analysed below:

2020-21	Average	2021-22
2,647	Houses	2,556
2,265	Flats	2,226
319	Bungalows	317
5,231		5,099
2021-22		2021-22
5,235	Stock at 1 April	5,262
-9	Less Sales	-9
36	Other Adjustments	36
5,262	Stock at 31 March	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 2022.

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 March 2021		31 March 2022
£000		£000
525,150	Dwellings (valued at EUV - SH)	562,468
4,007	Other Operational Land and Buildings (valued at MV - EU)	4,075
45	Vehicles, plant, furniture and equipment	38
43	Infrastructure	36
139	Community Assets (historic cost)	139
6,754	Assets under construction	9,010
536,138	Total HRA Assets	575,766

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

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

5. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at March 2022 was £1.607 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:

2020-21		2021-22
£000		£000
9,852	Opening Balance at 1 April	11,877
5,686	Depreciation transferred from the HRA	5,865
(3,661)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(8,153)
11,877	Closing Balance at 31 March	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.

2020-21		2021-22
£'000		£'000
197,024	Opening Capital Financing Requirement	199,205
	<u>Capital Investment</u>	
9,470	Council dwellings	15,218
3,148	Assets under construction	378
3	Intangible assets	7
65	Revenue Expenditure Funded from Capital under Statute	136
	<u>Sources of finance</u>	
(570)	Specific Capital Grants	(30)
(2,607)	Capital Receipts	(3,731)
(3,661)	Major Repairs Reserve	(8,153)
(3,667)	Other reserves	(3,824)
-	Voluntary revenue provision	-
199,205	Closing Capital Financing Requirement	199,205

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £7.3 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:

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

2020-21		2021-22
£000		£000
5,589	Dwellings	5,764
88	Other Operational Land and Buildings	92
7	Vehicles, plant, furniture and equipment	6
6	Infrastructure	7
5,691	Total HRA Assets	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:

2020-21		2021-22
£000		£000
473	Reversal of items relating to retirement benefits debited to the HRA	511
0	Employer's pensions contributions and direct payments to pensioners payable in the year	0
473	Contribution to the Pensions Reserve	511

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

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.

2020-21	2020-21		2021-22	2021-22
£000	£000		£000	£000
Council Tax	Business Rates		Council Tax	Business Rates
		INCOME		
	49,346	Income from Business Ratepayers - Note 2		66,844
115,276		Council Taxes	120,409	
		Distribution of prior year estimated deficit:		
	(4,827)	Central Government		25,150
0	(969)	Surrey County Council	0	5,030
0		Surrey Police & Crime Commissioner	0	
0	(3,867)	Guildford Borough Council	0	20,120
115,276	39,683	Total Income	120,409	117,144
		EXPENDITURE		
		Precepts		
87,129		Surrey County Council	88,544	
15,597		Surrey Police and Crime Commissioner	16,323	
12,069		Guildford Borough Council	12,327	
		Payment of Business Rates shares:		
	43,392	Central Government		42,159
	8,678	Surrey County Council		8,432
	34,713	Guildford Borough Council		33,727
	87	Transitional Protection payments		624
	231	Charge to General Fund for collecting NDR		222
3,283		Provision for council tax bad debts	1,000	
	2,300	Provision for business rates bad debts		800
	8,160	Provision for business rates appeals	317	(4,201)
		Distribution of prior year estimated surplus:		
		Central Government		
		Surrey County Council	218	
		Surrey Police and Crime Commissioner	39	
		Guildford Borough Council	30	
118,078	97,561	Total Expenditure	118,798	81,763
		COLLECTION FUND BALANCE		
703	(2,063)	Balance at the beginning of the year	(2,099)	(59,941)
(2,802)	(57,878)	Surplus/(deficit) for the year	1,611	35,381
(2,099)	(59,941)	Balance at the end of the year	(488)	(24,560)

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.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

The overall balance on Fund as at 31 March 2022 was a deficit of £25 million, made up of a Council Tax deficit of £0.48 million and a deficit in relation to business rates of £24.5 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 (£212,770,059 as at 31 March 2022) multiplied by a uniform rate (51.2p standard and 49.9p small business rate in 2021-22). Local authorities retain a proportion of the total collectable rates due. For Guildford in 2021-22, this share is 40%. The remainder in 2021-22 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	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
Dis A	2.5	5/9	1.37
A	670	6/9	435.53
B	2,060.29	7/9	1,562.34
C	8,936.22	8/9	7,744.72
D	13,447.54	9/9	13,111.31
E	8,967.06	11/9	10,685.71
F	6,076.22	13/9	8,557.38
G	7,015.81	15/9	11,400.68
H	1,674.50	18/9	3,265.28
	48,850.14		56,764.31
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			397.00
			57,161.31

4. Collection Fund Provisions

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

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

2020-21		2021-22
£'000		£'000
1,906	Balance at 1 April	5,189
3,283	Transfer (to) / from revenue	1,000
0	(Write offs)/write backs	0
5,189	Balance at 31 March	6,189

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

2020-21		2021-22
£'000		£'000
2,000	Balance at 1 April	4,300
2,300	Transfer from revenue	800
0	Write offs	0
4,300	Balance at 31 March	5,100

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

2020-21		2021-22
£'000		£'000
7,329	Balance at 1 April	11,384
8,160	Transfer from revenue	(4,201)
(4,105)	RV list amendments	(4,304)
11,384	Balance at 31 March	2,879

**Guildford Borough Council
unaudited Group Accounts**

Group Statement of Accounts 2021-22

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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	
			2021-22	2020-21
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.
- 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.
- 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 investing activities.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

During the year 2021-22 group accounts of GBC Holdings shows a net profit of £0.454 million (2020-21 loss £0.335 million) and owned investment property of £23.629 million (£18.101 million in 2020-21). The group accounts are shown in the appendices that follow.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2020-21				2021-22			
Gross Expenditure	Gross Income	Subs	Net Expenditure		Notes	Gross Expenditure	Gross Income	Subs	Net Expenditure
£000	£000	£000	£000	Directorate		£000	£000	£000	£000
23,647	-3,164		20,484	Strategy		19,473	-3,668		15,806
87,926	-63,506		24,419	Services		88,944	-63,907		25,037
19,676	-8,748		10,929	Resources		14,839	-9,542		5,297
18,141	-33,210	151	-15,068	Housing Revenue Account		17,298	-32,908	223	-15,387
17,742	-18,358		-616	COVID expenditure		19,509	-19,940		-430
167,133	-126,985	151	40,148	Cost of Services		160,064	-129,964	223	30,323
		-390	-27	Other operating expenditure	4			-462	1,039
		450	-1,157	Financing and investment income and expenditure	5			736	-11,368
		268	-33,786	Taxation and non-specific grant income	6			-	-31,753
		479	5,178	(Surplus) / Deficit on Provision of Services				497	-11,759
		-144	-13,602	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	24			-951	-49,914
			29,493	Remeasurements of the net defined benefit liability	24				-37,639
			0	(Upward) / downward movement on revaluation of financial instruments classified as Fair Value through Profit and Loss (FVPL)	24				0
		-144	15,891	Other Comprehensive Income and Expenditure				-951	-87,553
		335	21,069	Total Comprehensive Income and Expenditure				-454	-99,312

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

GROUP BALANCE SHEET

31 March 2021		31 March 2022
£000		£000
789,264	Property, Plant & Equipment	855,737
3,762	Heritage Assets	3,766
177,530	Investment Property	192,358
2,857	Intangible Assets	2,762
27,022	Long-term Investments	39,174
11,209	Long-term Debtors	15,714
1,011,644	Long Term Assets	1,109,511
81,281	Short-term Investments	71,185
0	Assets held for sale	0
380	Inventories	295
53,067	Short Term Debtors	29,532
40,284	Cash and Cash Equivalents	36,151
175,012	Current Assets	137,163
(163,772)	Short Term Borrowing	(134,294)
(57,276)	Short Term Creditors	(55,463)
(5,959)	Provisions	(3,220)
(227,007)	Current Liabilities	(192,977)
(147,435)	Long Term Borrowing	(169,599)
(143,258)	Other Long Term Liabilities	(116,284)
(290,693)	Long Term Liabilities	(285,883)
668,956	Net Assets	767,814
189,066	Usable Reserves	184,319
479,890	Unusable Reserves	583,495
668,956	Total Reserves	767,814

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

GROUP CASHFLOW STATEMENT

Group 2020-21 £000		Group 2021-22 £000
	OPERATING ACTIVITIES	
(4,046)	Net surplus on the provision of services	12,710
(12,696)	Adjustments for non-cash movements (Note 22)	56,749
(12,956)	Adjustments for items included in the net surplus that are investing and financing activities (Note 22)	(19,176)
(29,698)	Net cash flows from Operating Activities	50,283
	INVESTING ACTIVITIES	
(28,262)	Payments for additions to long term assets	(46,340)
(105,629)	Payments for purchase of investments	(148,761)
(1,973)	Other payments for investing activities	(3,434)
4,559	Proceeds from the disposal of long term assets	7,176
85,164	Proceeds from disposal of investments	150,382
10,038	Other receipts from investing activities	12,850
(36,103)	Net cash flows from Investing Activities	(28,127)
	FINANCING ACTIVITIES	
191,000	Cash receipts of short and long-term borrowing	199,050
0	Other receipts from financing activities	0
17,132	Other payments from financing activities	(19,319)
(116,745)	Repayments of short and long-term borrowing	(206,500)
91,387	Net cash flows from financing activities	(26,769)
25,586	Net increase/(decrease) in cash and cash equivalents	(4,613)
14,699	Cash and cash equivalents at the beginning of the reporting period	641
40,285	Cash and cash equivalents at the end of the reporting period (Note 19)	(3,972)

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	GBH Ltd £'000	Total Useable Reserves £000	Unusable Reserves £000	Total Reserves £000
2021-22									
Balance at 31 March 2021	68,134	100,115	8,901	11,878	736	(1,309)	188,905	670,439	669,581
Movement in Reserves during 2020-21									
Total Comprehensive Income and Expenditure	1,243	11,013	0	0	0	454	12,711	103,606	116,317
Adjustments between accounting basis & funding basis under regulations (Note 23)	(11,770)	(4,498)	1,783	(2,289)	(230)		(17,004)	584,281	567,277
Increase/(decrease) in 2020-21	(10,526)	6,515	1,783	(2,289)	(230)	454	(4,293)	687,888	683,594
Balance at 31 March 2022 carried forward	57,607	106,631	10,684	9,589	505	(855)	184,612	1,358,326	1,353,175
2020-21									
Balance at 31 March 2020	47,741	94,345	13,931	9,853	559	(1,148)	165,732	524,894	690,626
Movement in Reserves during 2020-21									
Total Comprehensive Income and Expenditure	(16,732)	11,883	0	0	0	(161)	(5,010)	(16,035)	(21,045)
Adjustments between accounting basis & funding basis under regulations (Note 23)	37,125	(6,113)	(5,030)	2,025	176		28,183	(28,183)	0
Increase/(decrease) in 2020-21	20,393	5,771	(5,030)	2,025	176	(161)	23,173	(44,218)	(21,045)
Balance at 31 March 2021 carried forward	68,134	100,115	8,901	11,878	735	(1,309)	188,905	480,676	669,581

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Annual Governance Statement 2021-22

1. SCOPE OF RESPONSIBILITY

- 1.1. Guildford Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has considered the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government (2016)*, including compliance with the CIPFA publication on *The Role of the Chief Financial Officer in Local Government (2016)* in the preparation of this statement.
- 1.4. This statement explains how the Council has complied with the code and meets the requirements of regulation 4 of the Accounts and Audit Regulations 2015 in relation to internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, culture, and values by which the authority is directed and controlled and the activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

3. GOVERNANCE FRAMEWORK

- 3.1 The Council is a complex organisation with an appropriately comprehensive governance framework that works in a dynamic environment and keeps its processes under constant review. A description of how the Council puts the principles of good governance, set out in the CIPFA/SOLACE framework into practice is set out in the following table along with recent achievements, developments, and areas for improvement.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

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

- Council's Constitution, includes:
 - Council procedure rules for conduct at meetings
 - financial and procurement procedure rules
 - codes of conduct for Officers and Councillors
 - protocol on decision making by lead councillors
 - Protocol on Councillor/Officer Relations
 - arrangements for dealing with allegations of misconduct by councillors
 - Probity in Planning Councillors' Handbook
- Induction for new councillors and staff on standards of behaviour expected
- Guidance on use of social media and email signatures issued to councillors
- Staff performance framework includes behavioural framework & behaviour profiles are included within job descriptions
- Declarations of interest made and recorded at meetings
- Register of councillors' interests maintained
- Register of gifts and hospitality maintained for Councillors and staff
- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Whistle blowing policy

Recent achievements, developments and areas for improvement

The Corporate Governance and Standards task group has continued to meet during 2021-22 and reported on its progress to the Committee in June 2022.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

- Corporate Management Team monitor compliance with laws and council policies
- Officer health and safety group in place to monitor health and safety compliance
- Complaints policy in place
- Customer services manager monitors and reports on complaints performance to corporate management team and CGSC as part of the Corporate Performance Monitoring report
- Corporate Governance and Standards Committee (CGSC) in place whose remit is set out within the Constitution
- Overview and Scrutiny Committee (OSC) review of decision making
- Executive agendas now include as a standing item 'Recommendations made by the Overview and Scrutiny Committee to the Executive', to enable The intention of this document is to collate and track progress of all throughout the year, and to log the Executive decisions on the submitted matters. The Executive's agreed response to the recommendations will be fed back to the Overview and Scrutiny Committee, and relevant officers.
- Procurement strategy adopted in June 2020, policy and toolkit in place, revised procurement procedure rules approved in May 2021
- An officer Corporate Procurement Board (CPB) monitors compliance with the procurement strategy and policy
- All committee reports to Executive and Council require review of legal and financial implications to be completed and signed off by Monitoring Officer (MO) and Chief Finance Officer (CFO)
- Executive Advisory Boards in place to advise Executive on matters of strategic importance to the Council

Recent achievements, developments and areas for improvement

Corporate Procurement Board has met fortnightly throughout 2021-22 to improve governance arrangements around procurement, particularly where exemptions have been applied.

Audit of Procurement in 2021-22 found significant assurance with minor improvement opportunities

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

- Monitoring Officer provisions in place

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

Recent *achievements, developments and areas for improvement*

B. Ensuring openness and comprehensive stakeholder engagement

- The Council's vision and priorities are set out in the corporate plan adopted 1 November 2021. Public consultation undertaken on priorities in 2020.
- Consultation policy and community engagement strategy in place which adheres to consultation standards
- Freedom of Information Act performance monitored by corporate management team and CGSC. Log of FOI responses is published on the website
- Online council tax information published
- Transparency information published on website
- Records of decision making maintained and published on website
- Forward programme of committee meeting dates and agenda items published on-line with reporting dates adhered to
- Citizens' panel in place and consulted with
- Active programme of focus groups and surveys undertaken for specific service initiatives
- Active use of social media and on-line tools to engage customers
- Consultation responses published on the Council's website (e.g., Local Plan)
- Recognition of the importance of and active engagement in key strategic partnerships such as Guildford Surrey Board, Health and Wellbeing Board, Local Enterprise Partnership (EM3) and service specific partnerships

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance	Arrangements the Council has for delivering good governance	Recent achievements, developments and areas for improvement
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	<ul style="list-style-type: none">• Corporate Plan 2021-2025 which sets out the Council's vision, key themes and priorities• Performance Monitoring Reports against corporate plan priorities reported to Corporate Management Team and CGSC• New Programme and project management system in place, and undergoing development• Community engagement strategy• Corporate risk register and new risk management strategy agreed April 2022• Financial risk register in place and used to inform the financial sustainability of the budget and adequacy of the level of reserves• Monitoring of key performance indicators undertaken by corporate management team• Committee report template now includes Climate Change/Sustainability Implications• Business planning process and capital programme development aligned to the corporate plan through the new service planning and project and programme governance framework, bids for funding scored against achievement of corporate plan priorities	<i>Internal audit of performance monitoring in 2021-22 assess as significant assurance with minor improvements which is an improvement from 2020-21 when it was assessed as partial assurance.</i>

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

Recent *achievements, developments and areas for improvement*

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- Medium term financial strategy and plan in place, reviewed annually and published as part of the Council's budget book
- Business planning process in place to align financial resources with corporate plan priorities
- New mandate and business case process introduced for new projects and policies
- Business planning guidance for managers in place and reviewed annually
- Scrutiny of the budget and business planning bids by Joint Executive Advisory Board
- Forward Plan maintained on a rolling 12-month basis
- Regular corporate management team and Executive liaison meetings held to discuss strategy
- Directors and senior officers hold regular meetings with Lead Councillors
- Corporate management team hold regular directorate level feedback sessions.
- Service Leaders' group in place.
- Officer Enterprise Portfolio Board in place which monitors the corporate programmes, savings programme and ICT and Digital development programmes.
- Major Projects Portfolio Board in place to monitor the delivery of major projects, with Housing, Capital, transport and Infrastructure and other sub-boards.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

- Property Review Group in place to review all assets on a rolling programme and optimise property asset utilisation and performance.
- Capital Programme Monitoring Group in place to monitor progress of capital projects, which are not major projects.
- Consequences of COVID Pandemic and the Council's response monitored regularly by Overview and Scrutiny Committee throughout the year.

E. Developing capacity, including the capability of leadership and the individuals within it

- Organisational development framework includes continuous performance and development reviews of staff through one-to-one meetings and clear job role profiles with behavioural profiles.
- The Constitution sets out the role of statutory officers and the role of the Leader.
- The Council is compliant with CIPFA guidance on the Role of the Chief Finance Officer (CFO).
- Head of Paid Service (HoPS), CFO, and MO are part of the corporate management team and always attend Executive-Management Team Liaison Group and full Executive meetings.
- Professionally trained staff in relevant fields in place and continuing professional development encouraged as part of performance and development framework
- Regular staff development training programme in place
- Active support for staff to obtain external qualifications
- Scheme of delegation and financial procedure rules in place

Recent achievements, developments and areas for improvement

New Joint Appointments Committee and Joint Governance Committee being put in place to oversee the Guildford – Waverley collaboration project. Heads of terms of Inter Authority Agreement agreed between the two councils.

Financial Procedure Rules still need to be reviewed in 2022-23

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

Recent achievements, developments and areas for improvement

- Councillor development steering group in place which develops and implements an active programme of Councillor training
- Achievement of the South East Charter accreditation for Elected Member Development (January 2020)
- Recognition of the importance of and active engagement in key strategic partnerships such as Guildford Surrey Board, Health and Wellbeing Board Local Enterprise Partnership (EM3) and service specific partnerships
- Work with partners through the Local Resilience Forum

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

- Internal audit work programme informed by risks
- Internal audit is outsourced, fully resourced and effective
- Compliance with the CIPFA code on managing the risk of fraud and corruption
- Role of the Overview and Scrutiny committee is clearly set out in the constitution and its work programme is developed by the chairman, vice-chairman, and officers and agreed by the committee. Agendas and minutes are published online.
- Compliance with the CIPFA Financial Management code
- Corporate Management Team oversees key governance, data protection and risk management information and receives reports from the health and safety group
- Role of the Corporate Governance and Standards Committee (CGSC) is clearly set out in the Constitution and has an active work programme informed by officers and agreed by the committee. Agendas and minutes are published online.

Following partial assurance audit in 2020-21, the revised risk management strategy and framework has been adopted by CGSC in April 2022.

Review of audit committee effectiveness in 2021-22 found significant assurance with minor improvements. In response to the minor audit recommendations the terms of reference are being updated for CGSC and a new annual report to Council will be introduced.

Audit of the Council's compliance with the CIPFA Financial Management Code in 2021-22 found significant assurance with minor improvement opportunities

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

Recent achievements, developments and areas for improvement

- A summary of internal and external audit reports is reported to CGSC on a regular basis along with annual internal audit opinion
- Progress against audit plan and individual audit recommendations are monitored and reported to CGSC
- The Council has comprehensive data protection policies and a designated data protection officer who monitors compliance with legislation
- Information security risk group, led by the Senior Information Risk Owner in place which reviews the Council's information governance procedures and any necessary improvements
- CGSC receives regular financial monitoring reports
- All projects require a risk register and project board

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

- The Council publishes significant information on its website
- 'Style guide' in place to encourage officers to write reports in plain English
- Annual financial statements include a narrative summary on the Council's performance during the year as well as reporting the financial position
- Effective internal audit function in place which complies with public sector audit standards and the CIPFA statement on the Role of the Head of Internal Audit
- Community engagement strategy in place
- The Council has reaffirmed, and adopted as best practice, the position that all committee reports are made public unless there are unequivocal legal or commercial reasons to the contrary and that where practicable, information within a report which is legally exempt from publication should be isolated from the body of the report as a restricted appendix, with the remainder of the report made available to the public.

The Council does not currently produce a formal annual report; however, the CFO's Narrative Statement in the Council's Statement of Accounts reports the majority of information that an annual report would be expected to cover.

The Council is compliant with the mandatory elements of the Local Government Transparency Code 2015 in respect of the publication of data.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Principles of Good Governance

Arrangements the Council has for delivering good governance

Recent *achievements, developments and areas for improvement*

- All restricted committee reports now clearly and precisely state at the point the agenda is published all of the following:
 - (a) why the content is to be treated as exempt from the access to information publication rules.
 - (b) to whom within the Council the content is restricted
 - (c) when, following a period of exemption, the exempt information can be expected to be made public.
 - (d) details of how the decision to maintain the exemption may be challenged.
- Working group reports and minutes made available to all councillors.
- Executive agendas now include as a standing item 'Recommendations made by the Overview and Scrutiny Committee to the Executive', to enable the Executive to agree a response to any such recommendations promptly and for the recommendations and responses, including progress with implementation, to be tracked throughout the year.

The Corporate Governance Task Group, referred to above, will also be examining proposals to promote transparency and effective communications

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

4. REVIEW OF EFFECTIVENESS

- 4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's (HoIA) annual report, and by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The HoIA is required to provide an annual opinion in accordance with Public Sector Internal Audit Standards (PSIAS), based upon and limited to the work performed on the overall adequacy and effectiveness of the Council's risk management, control and governance processes (i.e. the system of internal control). This is achieved through a risk-based programme of work, agreed with Management and approved by the Corporate Governance and Standards Committee, which can provide assurance, subject to the inherent limitations.
- 4.3. The purpose of the HoIA Opinion is to contribute to the assurances available to the Accountable Officer (the Chief Finance Officer) and the Council which underpin the Council's own assessment of the effectiveness of the system of internal control. The opinion does not imply that the HoIA has covered all risks and assurances relating to the Council. The opinion is derived from the conduct of risk-based plans generated from a robust and Management-led Assurance Framework. As such it is one component that the Council takes into account in writing this Annual Governance Statement.
- 4.4. The HoIA Opinion for 2021-22 is one of: '**Partial assurance with improvements required**'. Whilst internal audit have noted robust aspects of and improvements in the Council's system of internal control, for example the number of audits with 'significant assurance with minor improvement opportunities' achieved in 2021-22 in respect of core financial control and governance audits, there were three audits that received 'partial assurance with improvements required' which were Right to Buy (RTB) receipts, safeguarding and income and accounts receivable. The Internal Audit team raised two high priority recommendations in 2021-22 as part of the audit of HRA RTB receipts and Income and Accounts receivable that will require prioritised attention in 2022-23. The two high priority recommendations relate to:
- putting in place a formal policy for RTB receipts setting out roles, responsibilities, accountability and ownership of RTB receipts – this policy was approved by the Executive in February 2022 and therefore the recommendation has now been implemented.
 - Improvement to formal procedures and controls to ensure regular monitoring of outstanding debt and subsequent chasing of customers – this recommendation has also now been implemented.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

5. INTERNAL AUDIT STATEMENT

- 5.1 The HoIA Opinion was presented to the Council's Corporate Governance and Standards Committee on 24 March 2022 ([see HoIA Opinion](#) which forms part of Appendix 1 of Agenda Item 7). In 2021-22, there were 14 planned pieces of work which were completed. The results of the work carried out in the year to 31 March 2022 are shown in the table below:

Assurance Rating	Number of Audits	
Significant Assurance	0	0%
Significant Assurance with minor improvement opportunities	11	79%
Partial assurance with improvements required	3	21%
No Assurance	0	0%
No Opinion (one-off projects) Value for Money	0	0%
In progress (Inc. fundamental service reviews)	0	0%

- 5.2 Internal audit reports provide management recommendations designed to address weaknesses in the system of internal control. The outcomes of these audits are reported on a summary basis to the CGSC every quarter giving councillors an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the auditors. We also update councillors on the progress with implementation of recommendations. In 2021-22, Internal Audit raised two high priority recommendations as detailed in paragraph 4.4 above.
- 5.3 During 2021-22 the Council continued to face unprecedented challenges from COVID, with significant and varied operational pressures. In addition, the Future Guildford programme of transformation and re-organisation continued in the early part of the year, finally completing in August 2021. Against this challenging backdrop of the pandemic alongside organisational transformation, during 2021-22 the Council received three 'partial assurance with improvements required' reports however achieved 11 reports with 'significant assurance with minor improvements'.

6. SIGNIFICANT GOVERNANCE ISSUES AND ACTION PLAN

- 6.1. This year has continued to be unprecedented for the second year; the Council has undertaken a period of transformational change whilst at the same time responding to the COVID 19 pandemic and continues to face on-going financial pressures. As a result of this challenging environment, it is recognised that although there has been improvement in the governance arrangements in place we are not back to our pre-transformation and pre-COVID high levels of governance. Where we have identified areas for further improvement, we will take the necessary action to implement changes that will further develop our governance framework.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Progress on Governance Issues reported in the 2020-21 Annual Governance Statement:

6.2. The significant governance issues arising in 2020-21 and progress made against them are shown in table below:

Area	Actions Agreed	Progress Made
<p>Impact of COVID-19 Pandemic</p>	<p>The government introduced changes to the Accounts and Audit Regulations 2015 as a consequence of the pandemic to extend the statutory audit deadline for 2020-21 and 2021-22 for all local authorities. The publication date for audited accounts will move from 31 July to 30 September 2021 for all local authority bodies</p> <p>The government also made regulations under the Coronavirus Act 2020 to allow councils to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, and principles of openness and accountability. Remote meetings were then instigated in April 2020 to ensure that transparency and good governance prevailed and also to allow access to the public and press.</p> <p>Procedures were in place to deal with a phased and safe return to work as lockdown restrictions were eased but to also transition the Council to a more agile working policy for the longer term.</p> <p>The continued financial uncertainty regarding government funding was, to a large extent, over-ridden by the financial challenges associated with funding the effects of the COVID-19 pandemic, which created a significant challenge in terms of budget setting and medium-term financial planning.</p>	<p>The accounts for 2020-21 were produced and published on 15 October 2021. The audit of the 2020-21 accounts is still ongoing and is now scheduled for completion in June / July 2022. An update report was presented to Corporate Governance and Standards Committee in April 2022.</p> <p>Remote meetings continued to May 2021 after which face to face and hybrid meetings have been re-instated in line with the end of the temporary regulations.</p> <p>The Council has now produced, adopted and implemented an agile working policy</p> <p>Following concern about a further overspend in 2021-22, an action plan was put in place to return the Council to a balanced or underspent position during the year. Monthly (rather than bi-monthly) financial monitoring was undertaken and will continue for the future.</p>

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Area	Actions Agreed	Progress Made
<p>Governance support for GBC Holdings Ltd and North Downs Housing Ltd</p>	<p>Concerns over Finance and Legal involvement in the governance and financial arrangements of the two companies established by the Council. However, the external auditor had acknowledged that the corebusiness processes operated satisfactorily. The Business Plan is currently out of date and is in the process of being reviewed and updated.</p>	<p>The council is continuing to update the Governance arrangements around its companies and this work will continue into 2022-23.</p>
<p>Compliance with the CIPFA financial management code</p>	<p>2020-21 was a 'shadow year' for the implementation of the CIPFA FM Code. As such, an assessment of the extent to which the authority complied with the Code was undertaken by the Director of Resources. The authority is confident that it is generally compliant with the Code but has identified some key areas where improvements could be made</p>	<p>A Further assessment and internal audit of the Council's compliance with the code has been undertaken in 2021-22. The audit found significant assurance with minor improvement opportunities.</p> <p>Financial management training was rolled out to budget managers in 2021-22 with further sessions planned in Q1 2022-23.</p> <p>A review of compliance of the Council with the CIPFA Audit Committee Guidance was undertaken and found significant assurance with minor improvement opportunities</p> <p>A 10-to 30-year budget projection was undertaken as part of the 2022-23 budget process.</p>

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

Area	Actions Agreed	Progress Made
Risk management	<p>During 2020-21, an internal audit review of risk management found partial assurance with improvements required. The audit recommended introduction of a consistent council-wide risk management framework. It found that there are no central processes or specific guidance mandating how risk should be managed at a local or project level.</p> <p>As a result, the auditors recommended updating the existing 'Risk management strategy and framework' on a more regular basis and communicating this to relevant staff so that there is a clear, consistent approach to risk management. The audit also recommended that a revised risk management framework be implemented; formally devising a plan that unifies the risk management documents, processes and required actions at a corporate and local risk level</p>	<p>A new risk management framework and corporate risk register was agreed by the Corporate governance and Standards Committee in April 2022.</p> <p>Further training on Risk management is being rolled out to staff.</p>

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

Area	Actions Agreed	Progress Made
Performance Management and Reporting	During 2020-21, an internal audit review of performance management found partial assurance with improvements required. The audit recommended implementation of the internal performance reporting framework through development of the new performance reporting framework – ensuring that there is a clear schedule of KPIs to be reported, including definitions of KPIs, roles and responsibilities for preparation and frequency of reporting. The audit also found a need to improve the collection and quality of data and systems used to calculate some performance indicators.	Performance management framework was fully implemented with regular monitoring reports to CGSC in 2021-22. A further audit in 2021-22 found significant assurance with minor improvement opportunities.
Core Financial Systems	<p>During 2020-21, an internal audit review of core financial systems found partial assurance with improvements required. The audit raised two high priority recommendations related to the availability of evidence to support controls operating. Implementation of Business World coupled with COVID has impacted the availability of the required documentation. Financial records with relevant supporting evidence must be available to demonstrate that the Council has maintained a robust control environment at all times.</p> <p>During 2020-21, the Council has carried out regular payroll reconciliations to ensure that net pay totals are correct and have been reconciled to the payment run summary sheets. However, regular reconciliations of payroll deductions posted into the General Ledger via the payroll control account were not undertaken.</p>	<p>Further audits of the core financial systems in 2021-22 found that the audit recommendations had been implemented and there was significant assurance with minor improvement opportunities with the exception of the Income and Accounts receivable audit which had one high priority recommendation (see below)</p> <p>Regular reconciliation of the payroll deductions to the payroll deductions control account continued to be an issue in 2021-22 but have been resolved in Q1 2022-23.</p>

**GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS
2021-22**

	<p>BusinessWorld is an integrated Enterprise Resource Planning system and entries into the general ledger via the payroll control account are automatic, so there had been an assumption that reconciliation may not be necessary. Issues recently identified in relation to payroll costing into the general ledger has identified a need</p>	
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- 6.3 In addition, there were a number of follow-up reviews of audits which received partial assurance in 2020-21, which were revisited in 2021-22. The follow up audit revealed that of the recommendations made in the partial assurance audits in the previous year, 6 had been fully implemented, and 13 were not yet fully implemented. These will be subject to further follow up review during 2022-23.

New Governance Issues arising in 2021-22:

Impact of COVID-19 pandemic

- 6.4 An ongoing assessment of the impact of the COVID-19 pandemic on the Council's services, finance and systems was undertaken to ensure good governance in 2021-22 with regular reporting to the Overview and Scrutiny Committee. Many of the governance challenges from 2020-21 have been resolved but the pandemic and recovery from the pandemic continues to pose challenges to the financial position of the council.

Compliance with CIPFA Financial Management (FM) Code

- 6.5 2021-22 was the first full year of implementation of the CIPFA FM Code. An updated assessment of the extent to which the authority complies with the Code has been undertaken by the Director of Resources and an Internal Audit of the Council's compliance and its self-assessment has been undertaken. The internal audit found significant assurance with minor improvement opportunities. The authority is confident that it is compliant with the Code but has identified some areas where improvements could be made as follows:
- (a) The self-assessment should be reported to Corporate management team and the Corporate Governance and Standards Committee alongside the Annual Governance Statement.
 - (b) The Council could benefit from a formal external financial resilience assessment
 - (c) Financial benchmarking reports should be reported to Councillors on an annual basis
 - (d) The Council's asset management framework, policy and guidance should be updated along with introducing a formal asset management plan.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

- (e) The Council could consider additional reporting on value for money to members of the public
- (f) The Council should consider using the IFAC/PAIB appraisal guidance set out in 'Project and Investment Appraisal for Sustainable Value creation: Principles in project and Investment Appraisal (2013) in its project and performance management framework.

Financial Systems and Processes

- 6.6 During 2021-22, an internal audit review of Income and Accounts receivable found partial assurance with improvements required. The audit raised two recommendations, one of which was a high priority recommendation related to the lack of formal procedures and controls to ensure regular monitoring of outstanding debt and subsequent chasing of customers.
- 6.7 An internal audit of HRA Right to buy Receipts during 2021-22 found partial assurance with improvements required. The audit raised 7 recommendations, one of which was high priority and relates to the lack of formal policy that sets out roles, responsibilities, accountability and ownership throughout the process of monitoring and reporting on the spend of RTB receipts.

Safeguarding

- 6.8 An internal audit of safeguarding during 2021-22 found partial assurance with improvements required. The audit raised 7 recommendations, five of which were medium priority.

Guildford – Waverley Collaboration

- 6.9 In July 2021 Guildford and Waverley Councils agreed to collaborate and explore partnership working across the two councils with a view to cutting costs and protecting local services. The Councils agreed to share a Joint Management Team comprising the Chief Executive, Directors, and Heads of Service with a view to exploring further collaboration subject to a business case to do so. The Councils established a joint working group of Councillors to examine the various finance, HR, property, assets, governance, risk and termination considerations for the partnership and drafted Heads of Terms (HoTs) for an Inter-Authority Agreement. The HoTs were approved by both Councils in April 2022. The Inter-Authority Agreement is currently being drafted in accordance with the HoTs.
- 6.10 The Councils have also established a Joint Governance Committee to oversee the governance arrangements for inter-authority working, specifically to undertake periodically a formal review of
- (i) the inter-authority agreement (at least once every 12 months), ensuring it continues to be fit for purpose and recommending to both Full Councils any changes required; and
 - (ii) the collaboration risk assessment (at least once every 6 months), reviewing current and target impact and likelihood scores and making any changes to the list of risks and mitigating actions
- 6.11 The Joint Management Team is currently under consultation and is likely to be appointed and in place by October 2022.

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

7. ASSURANCE SUMMARY

- 7.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of our area in an equitable and open way. It recognises the standards of behaviour that support good decision-making: collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.
- 7.2 During 2021-22, the Council faced unprecedented on-going challenges from COVID, with significant and varied operational pressures. In addition, the Future Guildford programme of transformation and re-organisation remained ongoing for part of the year and completed in August 2021. As part of this the Council has undertaken further system development and implementations, most notably going live with a new customer relationship management system, introducing a new income manager module of BusinessWorld and bank reconciliation module. Against this challenging backdrop of the pandemic alongside organisational transformation, during 2021-22, the Council received three 'partial assurance with improvements required' reports, this is an improvement from 2020-21 however there is further improvement to be made.
- 7.3 We confirm, to the best of our knowledge and belief, that this Statement provides an accurate and fair view.

Signed:

Leader of the Council on behalf of Guildford Borough Council

Signed:

Joint Chief Executive on behalf of Guildford Borough Council

GUILDFORD BOROUGH COUNCIL UNAUDITED STATEMENT OF ACCOUNTS 2021-22

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.

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.

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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.

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.

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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.

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

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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.