Spelthorne Borough Council

Unaudited Statement of Accounts 2025/26

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Narrative Report

Introduction

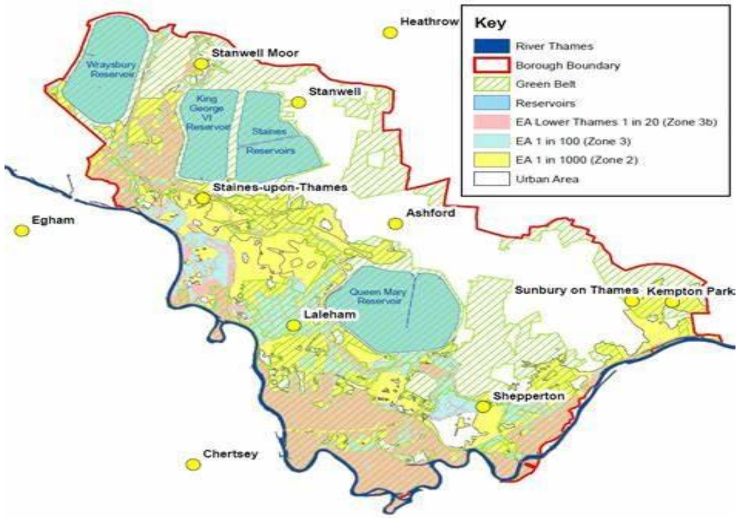
The Narrative Report provides an overview of the Council's financial performance for the year ended 31 March 2026 and should be read alongside the Statement of Accounts. The purpose of the Narrative Report is to assist the reader in understanding the Council's financial activities. Major influences on performance during the year, the financial position at the year-end, and the key issues and risks facing the Council over the next year.

2025/26 was a significant year for the Council as the Government issued the Council with a Statutory Direction to improve performance in a number of areas and announced the outcome of its consultation on devolution and local government reorganisation in Surrey.

Some key facts about Spelthorne

Spelthorne Borough Council is located in the northwest corner of the current county of Surrey, and it is the only Surrey borough council located north of the River Thames which runs along its boundary. The main Council offices are based in Staines-upon-Thames and cover Ashford, Sunbury-on-Thames, Shepperton, Stanwell and Laleham. The Council has the highest density of population per square mile (5,421), of all the districts and boroughs in Surrey.

The Borough covers 19.75 square miles and 65% is within the green belt. 17% of the Borough is made up of water, including five reservoirs, supplying drinking water to most of London, 12 miles of River Thames frontage and finally the River Ash, rising and ending in the Borough alongside Staines Moor and Sheepwalk Lake. The borough includes wetlands designated as sites of special scientific interest, and a number of bird reserves. The close proximity to the Thames and reservoirs facilitate sailing and other water sports, making the Borough a wonderful place to live and enjoy the beautiful Spelthorne countryside.



The total population of Spelthorne according to the 2021 census (most recent available figure at time of publication) is 102,956 which is a 7.7% increase since the last Census in 2011. There are 41,085 households, a 5.8% increase from the last census in 2011, with the average household size being 2.46 people.

The working population is almost 60% of the total population in the Borough which is the second highest figure within the Surrey area. This together with easy access to Central London and Heathrow airport, the recent expansion of Shepperton Studios (now the world's second largest film studio) and exceptional motorway links, make Spelthorne an ideal place for employers to locate their business.

The latest figures available show that there are 8,571 self-employed trades, professionals and registered businesses in Spelthorne. Many of these provide services to residents. The business base includes large employers like BP, Dnata, Samsung, and ADT. A major economic influence on the region continues to be Heathrow with the airport directly and indirectly being the largest source of employment within the Borough and its proposed expansion plans provide further opportunities (and challenges) for residents and businesses over the next 10 years or so.

The Borough is twinned with the French town of Melun and Grand Port, Mauritius and the Borough's roots can be traced back to the Doomsday book of 1086.

Spelthorne Borough Council is open for business and can offer a wide range of support for employers wishing to locate to the Borough.

Government Intervention

The Government issued the Council with a Statutory Direction on 8 May 2025 following receipt of an adverse Best Value Inspection report in May 2025 and concerns expressed by the external auditor about the financial sustainability of the Council, in particular the extremely high level of borrowing compared to its taxbase. As part of the intervention the Government appointed commissioners to oversee and assist the Council embark on a journey of improvement as required by the Statutory Direction.

The Council has collaborated fully with the Commissioners to implement the Statutory Best Value Directions as follows:

- Reducing overall borrowing by £315m through rescheduling £905m of borrowing from the Public Works Loans Fund in November 2025;
- Revising the Council's Minimum Revenue Provision (the amount required to be charged to council tax for debt redemption) to comply with statutory guidance;
- Initiated an asset disposal programme and appointed external agents to provide additional capacity and expertise to manage this process
- Implementing an Improvement and Recovery Plan (IRP):
- There is a dedicated Improvement and Recovery Board that meets monthly.
- The Board includes the Chief Executive, the S151 Officer, a programme director and is chaired by the Lead Commissioner.
- The key themes of the IRP are:
  - Improving Commercial, Regeneration and Housing.
  - Improving Financial Sustainability
  - Improving Governance and Assurance
  - Strengthening and Improving Leadership

Local Government Reorganisation

On 28th October 2025 the Government confirmed its final decision on the future of local government in Surrey, approving a move to a two-unitary model. This means that, from 1 April 2027, the current county, district and borough councils will be replaced by two new unitary authorities (East and West Surrey), alongside a Combined Fire and Rescue Authority and a Foundation Strategic Authority with responsibility for strategic functions such as skills, transport and regeneration. West Surrey unitary will replace the geographic areas of Guildford, Runnymede, Spelthorne, Surrey Heath, Waverley, and Woking councils. Implementation work is underway to prepare for this transition and to make sure that there is no interruption in service delivery during this process. Elections for the new unitary councils took place in May 2026, with full handover on 1st April 2027.

External Environment

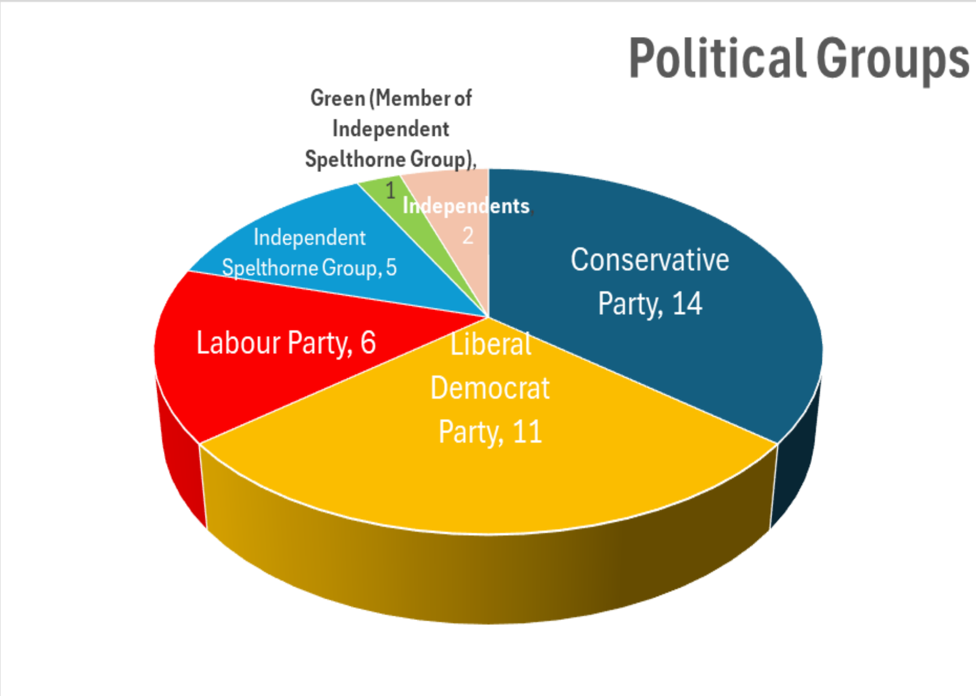
In 2024/25 the Council, like many other English councils received disclaimed audit opinions on all the unaudited years' accounts back to 2018/19 under the Government's audit backstop arrangements.

Since their appointment in 2023/24, there has been a substantial increase in the interaction with Grant Thornton resulting in a range of recommendations arising from their Annual Audit Report and Audit Findings report. These are being addressed as part of the Improvement and Recovery Plan. The number of audit findings for 2024-25 fell significantly compared to 2023-24.

Work is ongoing at pace with our auditors and the Commissioners to rebuild assurance in the accounts before the Council passes its assets and liabilities across to its successor unitary authority in April 2027.

Political Structure 2025-26

Spelthorne has 13 wards represented by 39 Councillors. The Council held an all-out borough election on the 4 May 2023 and the political make-up of the Council at 31 March 2026 is shown in the chart below.



The Council operates the Committee system of administration, and this has led to a wider engagement of the whole of Council, since its inception of the Committee system in May 2021.

On 25 May 2023 Cllr Joanne Sexton became Leader and Cllr Chris Bateson became Deputy Leader. Following the May 2026 elections Cllr Greg Neall became Leader of the Council on 20th May 2026.

Under the Committee system the Leader and Deputy Leader are non-executive roles, and they act as Chair and Vice Chair of Corporate Policy and Resources Committee.

Management Structure

Supporting the work of councillors is the organisational structure of the Council headed by the Corporate Management Team, led by the Chief Executive. During 2025/26, the Chief Executive's post was held by Daniel Mouawad to 31 October 2025 who was replaced by Gordon Mitchell from 1 March 2026. During the interim period Terry Collier, Deputy Chief Executive and s151 officer stood in as interim.

The Corporate Management team with effect from June 2026 consists of:

- Interim Chief Executive
- Deputy Chief Executive / Chief Finance Officer
- Deputy Chief Executive
- Group Head Corporate Governance/Monitoring Officer
- Interim Corporate Director of Place
- Head of LGR and Special Projects

The Corporate Management Team is responsible for the delivery of Council services, directing improvements and future plans for Spelthorne. It provides managerial leadership and supports Councillors in:

- developing strategies
- identifying and planning resources
- delivering plans; and
- reviewing the Council's effectiveness with the overall objective of providing excellent services to the public.

At the end of March 2026, the Council employed 411.84 full-time equivalent staff (2024-25: 409.38 FTE). On the 1st of April 2025, the Family Support service employed by the Council came to an end. On the same date, the Supported Housing service transferred employment to the Council under TUPE regulations.

Financial Performance

The Band D Council Tax for 2025/26 for Spelthorne was £228.86.

The Council Tax collection rate dropped to 96.90% for 2025-26 compared to 97.4% in 2024-25 whilst the collection rate for Business Rates achieved 98.54% - a significant improvement from 97.90% in 2024-25.

The high level of collection rates were better than anticipated despite the current economic climate impacting on the budgets of domestic households and local businesses. This performance reflects the hard work and performance by the Council's Customer Services team.

Cost of Living Crisis and impact on Social Housing

The financial year 2025-26 has been a demanding one for both the Council and its residents as the impact of the cost of living and housing crisis continued. Whilst interest rates did fall for a period (but are now likely to rise again), there are still very significant housing pressures with a significant increase, compared to a few years ago, in the number of households approaching the Council seeking homelessness support. In turn, this has increased the need to source temporary accommodation, with a particular reliance on nightly paid accommodation, which has been in part addressed through acquisition of properties part funded from Local Authority Housing Fund (LAHF) capital grant. In response to the heavy reliance on nightly accommodation the Council put in place a Nightly Accommodation Action plan in 2025-26 to reduce both numbers in nightly paid accommodation and the cost to the Council.

2025-26 Budget

In 2025-26 the total gross budgeted expenditure was £64.5m (2024-25: £63.1m). This excludes non-cash items such as depreciation, impairment costs and pension adjustments. The largest main item of Council expenditure is £21.8m in housing benefit paid to residents in the Borough on low incomes, which is funded through government subsidy.

Revenue spending is mainly on items that are consumed in the financial year and is financed from Council Tax, government grants, contributions from non-domestic rates and charges for services, and drawing down funds from revenue reserves.

On 27 February 2025, the Council approved a budget requirement of £17m funded from Council Tax and grants, which delivered a balanced General Fund Revenue Budget for 2025-26 as shown in the table below:

Revenue Budget	**2025/26**
	£'000
Net Expenditure	17,143
Funded by:	
Council Tax	(9,296)
Retained Business Rates	(4,917)
Grants	(2,053)
Collection Fund Deficit	(877)
Total Funding	(17,143)
General Fund Revenue Budget	0

Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2026. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- The **Comprehensive Income and Expenditure Statement** – records the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. •

- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and “unusable” which must be set aside for specific legal or accounting purposes.

- The **Balance Sheet** is a summary of the Council’s assets, liabilities, cash balances and reserves at the year-end date.

- The **Cash Flow Statement** shows the reason for changes in the Council’s cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

The **Annual Governance Statement**
- The statement sets out the governance structures and arrangements of the Council and its key internal controls. The Statement summarises actions taken to mitigate governance issues identified in the previous year.

The **Group Accounts**
- The Council’s single entity financial statements are combined with the assets and liabilities of group companies and similar entities, which the Council either controls or significantly influences.

The **Supplementary Financial Statements** are:
- The **Collection Fund**, which summarises the collection and redistribution of council tax and business rates income
- The **Notes** to these financial statements provide further detail about the Council’s accounting policies and individual transactions.
- A **Glossary** of key terms can be found at the end of this publication.

Revenue Outturn for 2025-26

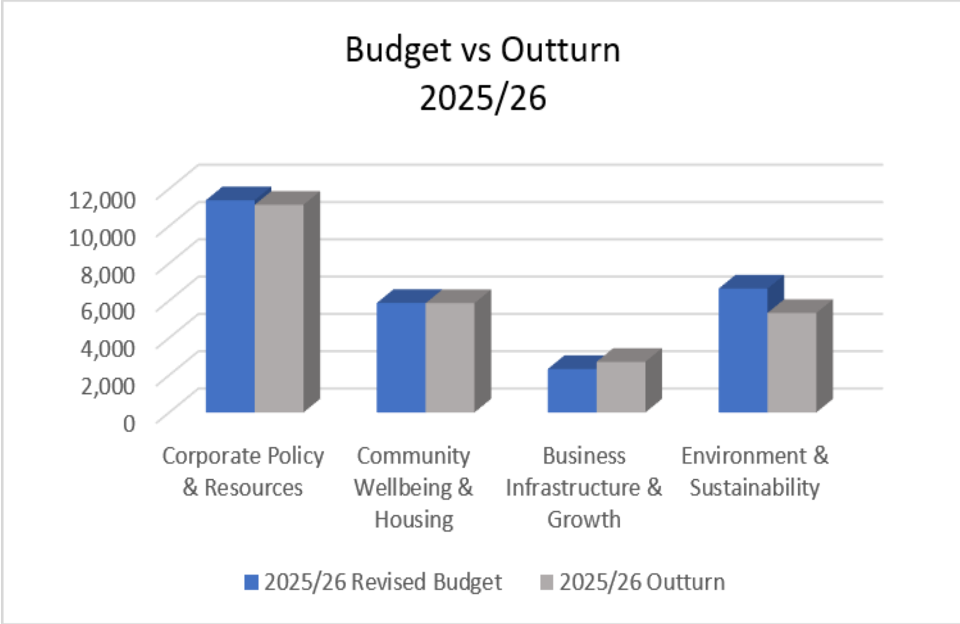
The final revenue outturn position for the 2025/26 financial year is a net overspend of £10.510m against a net revenue expenditure budget of £17.1 (62%). The overspend is covered by use of earmarked reserves. The changes when compared with the Quarter 3 forecast are due to combined management action to reduce expenditure, additional government grants, and application of cost capitalisation and capital receipts to fund various areas.

The 2025/26 Outturn provisional overspend (compared to the forecast outturn position in Quarter 3, has reduced by £3.2m due to the following:

- Leisure centre premises costs being lower than anticipated; Refugees Schemes net impact attributable to higher grant received compared to support costs for Refugees Schemes; Higher ground maintenance contract income for managing highway verges and weeds maintenance within Spelthorne on behalf of Surrey County Council; lower running costs in Planning Policy and Planning Development. Reserves, to cover future expenditure meeting the criteria of the grants.
- additional interest received, due to higher than predicted interest rates on the overnight money markets and inter local authority lending market.
- Investment and Regeneration lower landlord costs.

Comparison of Revenue Budget to Revenue Outturn	Revised Budget 2025/26	Revised Outturn 2025/26	Variance
	£'000	£'000	£'000
Gross Expenditure	64,483	59,082	(5,401)
Gross Income	(38,253)	(34,025)	4,229
Net Expenditure	**26,229**	**25,057**	**(1,172)**
Investment Property Income	(48,423)	(47,906)	517
Landlord Costs	7,224	4,908	(2,315)
Interest Earnings	(2,222)	(2,784)	(562)
Debt Interest Payable	25,535	28,055	2,521
Minimum Revenue Provision	13,025	25,366	12,341
Set Aside for Investment Properties	670	670	0
	22,037	**33,367**	**11,330**
Financed by:			
Grants and contributions	(2,053)	(2,054)	(1)
Planned Use of Reserves	(4,894)	(5,618)	(725)
Net Receipts from Business Rate	(4,917)	(4,917)	0
Council Tax (Demand on Collection Fund & Surplus)	(9,296)	(9,391)	(94)
Collection Fund Surplus/(deficit)	(877)	(877)	0
Earmarked Reserves used to close end of year Budget Gap		(10,510)	(10,510)
Outturn Underspend 2025/26		**0**	**0**

2025-26 Revenue Outturn by Committee:



Under the Best Value intervention, the Council has been tasked with progressing an asset rationalisation programme, reducing debt, set MRP at a more prudent level in line with Statutory Guidance and address a number of governance issues including risk management. The Council appointed Knight Frank in 2025/26 to assist the Council with the asset rationalisation plan over the next three years.

In the light of Statutory Direction to rationalise the asset portfolio, the Council has re-purposed the Sinking Funds reserves, hitherto set up to support the investment properties, and transferred these into a single earmarked reserve to support closing the Revenue Budget gap.

The new Service Resilience Reserve will be used mitigate the impact of the increased interest and MRP charges to the General Fund

Earmarked Reserves balances which as at 31 March 2026 totalled £32.6m. 2023-24: £55.7m). This reduction in the earmarked fund reserves' balance is due to the impact of implementing a new MRP policy (£21.1m) and Collection Fund legacy issues (£2m), the impacts of which were partly offset by a debt restructure during 2025-26. During 2025-26 the Council revised its Reserves Strategy to repurpose its former sinking funds reserves to make them available to support closing the Budget gap over the medium term.

Capital Expenditure

The Council's capital expenditure plans must be prudent and affordable in the longer term, and the Council adheres to guidance set out in the CIPFA Prudential Code for Capital Finance in Local Councils, which has legislative backing. Whilst it has taken the view that it will use capital receipts and seek grants (particularly Local Authority Housing Fund (LAHF)) to limit borrowing in the future for specific capital projects, the use of LAHF grant to acquire temporary accommodation has helped significantly ease revenue pressures on the Council's homelessness budget. With the completion of the new Eclipse leisure centre, the Council's future capital expenditure has been significantly reduced.

The Capital Programme is prepared on a 4-year rolling basis and is reviewed every year. The Capital Programme consists of LAHF housing units' acquisitions, renovation and renewal grants made to individuals and tenants of housing associations, and non-housing activities including information technology, vehicle replacement and improvements, including carbon reduction initiatives of major assets.

Total gross capital expenditure in 2025-26 was £5.8m (2024-25: £33m) and a breakdown of the assets making up this spend can be found in Note 27. The bulk of this is attributable to final phase financing of the new Eclipse Leisure Centre in Staines-upon-Thames and Acquisition of Temporary and Resettlement Accommodation.

The following statement shows the total gross capital expenditure for the year and how it has been financed:

Capital Financing	**2024/25**	**2025/26**
	£'000	£'000
Total Capital Expenditure	**33,118**	**5,811**
Financed by:		
Capital Receipts	0	(2,519)
Capital Grants and Other Contributions	(12,081)	(2,694)
Revenue Resources	(357)	(598)
Borrowing	(20,680)	0
Total Capital Financing	**(33,118)**	**(5,811)**

Future capital expenditure is as follows:

Capital Programme 2026/27 to 2029/30	**Budget 2026/27**	**Budget 2027/28**	**Budget 2028/29**	**Budget 2029/30**
	£'000	£'000	£'000	£'000
Net Programme by Committee:				
Community Wellbeing & Housing (Including DFG)	1,387	2,948	2,793	1,160
Corporate Policy and Resources	8,596	420	0	1,300
Environment & Sustainability	1,167	140	140	0
Total	**11,150**	**3,508**	**2,933**	**2,460**

Future resources for capital expenditure are as follows:

The Council's strategy for financing capital expenditure focuses on projects that generate ongoing income or revenue savings, such as housing units developed under the LAHF. Funding for these projects is drawn from a combination of funding sources maximising available grant funding (e.g. LAHF) and utilising capital receipts, particularly for smaller housing-related initiatives. In line with the Statutory Direction to reduce borrowing, the Council's capital programme has been amended during the year to remove any future borrowing to support the programme. This is being done by maximising use of available grants and using some of the capital receipt generated by the asset rationalisation plan

Investment Property

The value of the Council's investment property portfolio fell by £98m (16%) from £624m at 31 March 2025 to £526m at 31 March 2026. The decline in value is primarily due to leases approaching the end of term and a general move away from commercial property in the wake of Covid-19.

The table below shows that while the investment property portfolio generated £47.5m income to the Council, this was far outweighed by the capital financing costs (MRP and interest) of £87.7m, giving rise to a net loss overall of £40.7m.

Investment Property Analysis	**Budget 2025/26**	**Actual 2025/26**	**Budget 2026/27**
	£'000	**£'000**	**£'000**
Rental Income	(44,400)	(42,975)	(43,889)
Other Income	(4,023)	(4,560)	(3,505)
Total Income	**(48,423)**	**(47,535)**	**(47,395)**
Landlord Costs	7,224	4,908	4,076
Minimum Revenue Provision (MRP)	13,025	59,627	53,127
Interest on Borrowing	25,535	28,055	33,607
Sinking Funds - contributions to	1,003	1,071	0
Set Asides for Specific Revenue Purposes	670	670	0
Net Cost before Reserves Usage	**(968)**	**46,796**	**43,415**
Sinking Funds - release from reserves	(6,054)	(6,054)	0
Net Income (to fund Revenue Budget)	**(7,022)**	**40,742**	**43,415**

The main reason for the variance is the increase in MRP as a result of revising the MRP policy in 2025/26 as required by the Statutory Direction and increased interest arising from the debt restructuring in November 2025.

Treasury Investments

During 2025/26 the Council finally sold its remaining strategic pooled investments to fund the final expenditure on the Eclipse Leisure Centre instead of using borrowing. Since then and in view of the forthcoming local government reorganisation all investment has been short-term, primarily lending to other local authorities and in money market funds. The overall return has exceeded the budget largely because interest rates were higher than originally forecast.

Financial Strategy Review

This Financial Strategy sets out the overarching framework for financial governance, planning and management. The aim is to ensure robust, affordable, sustainable and best value financial plans are developed to support decision making and prioritise the use of available resources.

Local Government continues to face an increasingly complex range of challenges and continuing pressure on finances including reduced funding, increased cost pressures and increased but competing demand for services.

The Council Medium-Term Financial Strategy (MTFS) sets out the estimated financial resources that are needed and available for the Council to deliver its key priorities and the Corporate Plan. Since the last MTFS was agreed by Council, a number of factors continue to affect the financial outlook for the Council. Following on from a decade of the Government austerity measures and underfunding, increasing demand, the war in Ukraine and Middle East, has led to an increase in inflation, with the cost of living crisis notably around food, fuel and utility prices across the country impacting on residents and Council budgets.

Every year, Council reviews its Reserves Strategy, which sets out the purposes for which it holds reserves and how some of those reserves will be used to provide additional resilience to help the Council meet both its current and future challenges, including cost of living crisis and inflation. As at the

31 March 2026 the Council held £40.01m (2024-25: £60.15m) in cash backed reserves.

The Council's reserves reduced compared to 2024-25 because of the New MRP Policy which implemented the prudent CIFPA approach on calculations, resulting in significant increased level of MRP (£46.6m). Further, a restructure of the borrowing portfolio yielded £34.3m of loan discount received (£342m discount released over 10 years of the General Fund), leaving a net adverse impact of £12.3m.

The Council declared a Climate Change Emergency in October 2020 and addressing the challenges of climate change will increasingly impact on the Council's financial strategy. For our residential and service developments we are seeking to build in best environmental practice, for example building to the Passivhaus standard for the Eclipse Leisure Centre. This increased the cost of upfront capital investment but will reap longer term revenue benefits through constraining rising energy costs.

The Council's budget setting process involves forecasting the income generated from the commercial properties' portfolio for the upcoming financial year and the irrecoverable expenditure. Up to 2024-25 annual basis forecasts were provided for the next 5 years together with a detailed budget for the next 12 months. Budget setting took place in the autumn/winter prior to the 1 April start of the financial year. As part of the Best Value direction the Council has agreed an asset rationalisation programme which foresees all assets to be sold and the generated receipts to be used to reduce council's debt position. Following the implementation of the new Minimum Revenue Provision policy, as a result of the increase in MRP charge, the investment asset portfolio no longer delivers a surplus to the Revenue Budget.

Pensions

Council employees are members of the Local Government Pension Scheme, which is administered locally by Surrey County Council. Surrey Pension Fund is revalued every three years to set employer contribution rates. The latest valuation was undertaken as at 31 March 2025, which sets the employer contribution rates for the period 2026/27 through to 2028/29. The funding position overall had improved from 102% at March 2022 to 133% at March 2025.

The improvement in the funding level is reflected in the increase in the surplus of assets over liabilities reported at Note 29 which increased from £13m to £24m under International Accounting Standard (IAS19). Under accounting standards, the surplus is capped at the actuarially calculated asset ceiling reported in Note 29 resulting a net deficit of £16.8m. However, this does not impact on the amount charged to council tax. Instead, the IAS19 charges are reversed out of the General Fund and replaced by the contributions payable as set at the last valuation in 2022.

Borrowing

At 1 April 2025, total Council borrowing was £1.069 billion, which was the second highest per head of population in the UK. In response to the Statutory Direction to implement a “strict debt reduction” plan, the capital programme has been reviewed in year to stop all projects which would need new borrowing and the Council undertook one of the largest debt restructurings in local government in November 2025, when it restructured £905m of PWLB debt which reduced overall borrowing by £315m and generated a discount of £341m. Whilst under accounting standards the £341m discount is accounted for as income to the CIES, statute requires that the discount is credited to the General Fund over the next 10 years, which is achieved by an annual transfer from the Financial Instruments Adjustment Account to the General Fund of £34.1m.

Local Government Reorganisation (LGR) in Surrey

On 18 March 2025, the Council approved the Joint Interim Local Government Reorganisation (LGR) Plan. This Plan, drawn up by all councils in Surrey (county, districts, and boroughs), was subsequently submitted to the Ministry of Housing, Communities and Local Government (MHCLG). At its meeting on 6 February 2025 the Council expressed a preference for three unitary authorities regarding the future structure of local government across Surrey.

Since that time further events have taken place:

- 28 October 2025 – Government decision announced in favour of two unitary councils.
- 9 March 2026 – Surrey (Structural Changes) Order 2026 was signed, legally implementing the change.
- 1 April 2027 – New East Surrey and West Surrey councils are due to take over.
- The first elections for the new Surrey unitary authorities took place on Thursday 7 May 2026. Residents voted for councillors to the new East Surrey Council and West Surrey Council, which initially operate as shadow authorities ahead of taking full control on 1 April 2027.

Several LGR workstreams have been running for a while focusing on:

- Service analysing and planning
- Budget settings
- System and process review
- Integration and transformation

The focus is on ensuring a safe and legal transition for the new West Surrey Council to start delivering services on 1st April 2027. The Chief Executive, Section 151 Officer (Chief Finance Officer), the Monitoring Officer and Head of Communication meet regularly with counterparts across Surrey, being heavily involved in the implementation phase. The Council has a stated ambition to "review our ways of working to make us more efficient, effective, and to improve customer satisfaction." The Government has stated that Local Government Reorganisation (LGR), whereby new unitary councils will replace the county and district/borough councils in two-tier areas such as Surrey, will be more efficient and effective, in addition to improving customer satisfaction.

As per the original proposal of LGR restructure six essential principles are outlined for local government reorganization, ensuring that it:

- supports economic growth, housing, and infrastructure delivery
- unlocks devolution
- values and advocates for Surrey's unique local identities and places
- provides strong democratic accountability, representation, and community empowerment
- secures financial efficiency, resilience, and the ability to withstand financial shocks
- delivers high-quality, innovative, and sustainable public services that are responsive to local needs and enable wider public sector reform

More information is available on the Spelthorne Borough Council website under the Local Government reorganisation section.

Best Value Inspection

In May 2025 the Secretary of State issued the Council with a Statutory Direction requiring it to implement an Improvement Recovery Plan (IRP) to address several key themes needing improvement and requiring Government appointed Commissioners to monitor progress acting as a "critical friend" to the Council and report back regularly on progress against the IRP.

The Council has pro-actively engaged and worked with the Commissioners to implement and deliver all the recommendations set out in the Government's Best Value inspection report of March 2025. This resulted in an Improvement and Recovery Plan agreed by Council in October 2025 and updated in February 2026. The Plan sets out workstreams to address all the d requirements for improvement set out the Statutory Direction.

In collaboration with the Commissioners the Council has recruited a Programme Director to ensure the Action Plan is effectively implemented. An Improvement and Recovery Board, chaired by the Lead Commissioner, meets monthly to monitor progress against the Plan. Updates are provided quarterly to the Council's Corporate Policy and Resources Committee and Audit Committee

The second Commissioners report was issued 10th June 2026 providing an update on progress since intervention. This covers the following areas:

1. **Financial Position and Sustainability:** A balanced budget and Medium-Term Financial Strategy (MTFS) have been approved, but further work is required to support transition into the new West Surrey Council.
2. **Leadership, Management and Organisational Capacity:** Appointment of Chief Executive is viewed positively by Commissioners. Several key senior appointments have been made, including Corporate Director of Place; Director-level Local Government Reorganisation (LGR) lead; Interim Director of Improvement. Relationships between officers, members and Commissioners have improved significantly.
3. **Improvement and Recovery Programme:** Major improvements have been made to governance and programme management of the Improvement and Recovery Plan (IRP). Earlier issues around weak accountability and reporting have largely been addressed. One priority, governance arrangements for delivery of IRP workstreams, is now reported as achieved.
4. **Planning, Housing and Development:** Significant planning improvements have been achieved:
   Adoption of the long-delayed Local Plan. Adoption of the Spelthorne Design Code. Adoption of the HMO Supplementary Planning Document. Progress on Affordable Housing and Climate Change planning guidance. A housing delivery group has been established to manage the five-year housing supply. Work is underway to unlock development sites and accelerate housing delivery.
5. **Commercial Assets and Regeneration: The Council has approved a** Commercial Strategy and an asset disposal programme. One property sale has completed successfully (3 Roundwood Avenue, Uxbridge). Disposal of higher-value assets and regeneration sites has been slower than planned. Following BP's announcement to relocate staff from its Spelthorne site by early 2028, the Council is undertaking an options appraisal for the site.
6. **Governance & Assurance Reform:** The Council has improved governance arrangements and relationships between members and officers. Work is progressing on creating an effective assurance framework covering Risk management; Performance; Financial monitoring; HR oversight; Procurement processes have been strengthened, and non-compliant arrangements are being regularised.
7. **Temporary Accommodation and Housing Company:** High spending on temporary accommodation remains a major financial pressure. Improvements have begun, supported heavily by Commissioners. Work continues to reduce expensive nightly-paid accommodation and renegotiate rates. Review of Knowle Green Estates (KGE) is progressing, with valuation and stock condition work completed.

   The report identifies four strategic themes for the remaining period: Leadership & Local Government Reorganisation; Financial Sustainability; Governance & Assurance; Commercial, Housing & Regeneration.

Summary

From the 1st April 2027 the Council will cease existing as a legal entity and be part of the West Surrey County. The Council is focusing on delivering against its Improvement and Recovery Plan, progressing an assets disposal strategy and transformation programme, and at same time working with other Surrey Councils.

The Council has approved the Medium Financial Strategy (MTFS) covering 2026/27-2028/29. The focus is currently on updating the MTFS and feeding the info to the West Surrey Budget setting process. The process includes 5 budget iterations with the final County Budget to be approved in February 2027.

Whilst the income stream from the investment property portfolio is holding up despite the economic volatility and cost of living crisis the focus will be on finalising the asset rationalisation plan and maximising capital receipts in order to reduce the Capital Financing Requirement and reduce future MRP pressures for West Surrey. The Council was able set a balanced budget for 2025/26 but could only achieve this by drawing down £17.5m from earmarked reserves. For the reasons set out above, the Council is forecasting budget deficits for the years 2026/27 to 2028/29, which will require further support from earmarked reserves.

To help address forecast budget deficits the Council approved a number of fee increases when setting the 2026/27 budget, However, there remain significant subsidies in some areas still to be addressed to help further reduce budget deficits. It will be essential that Council is able to generate additional fees and charges income, ideally through a stronger mix of volume growth, frequency of spend and price increase, together with working smarter and offering up savings that do not impact on the delivery of our current services to residents, through using technology as an enabler. The Council has set a savings target for 2026/27 of £5.8m and the forecast is £5.9m will be achieved, or £0.1m more. £4.0 have already been banked with an in-year savings delivery target of £1m.

The Council cash backed reserves have reduced over the period 2024-25 and 2025-26 to £40.0m. As commented in large part this is due to the application of £17.5m of reserves to offset the MRP impact because of the debt restructure undertaken and interest costs payable.

The Council continues to be focused on delivering services to our vulnerable residents, seeking efficiencies, and utilising the development properties acquired to assist with the delivery of the Council's affordable housing programme, support its regeneration programme and support the delivery of key services in the Borough.

T Collier

Mr Terry Collier, CPFA, CA
S151 Officer & Chief Finance Officer

Statement of Responsibilities for the Statement of Accounts

This statement is given in respect of the Statement of Accounts 2025-26, signed, and dated by the responsible financial officer on behalf of the Council.

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive / Chief Finance Officer.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Deputy Chief Executive 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 2025-26* ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Spelthorne Borough Council and its Income and Expenditure for the year ended 31 March 2026, **dated XX January 2027**.

Signed

T Collier

Mr Terry Collier, CPFA, CA
S151 Officer & Chief Finance Officer

Signed

Councillor Jon Button
Chair of Audit Committee

Primary Financial Statements

Comprehensive Income and Expenditure Statement

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

	2024/25 Restated*				**2025/26**	
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
53,199	(31,310)	21,889	Community Wellbeing & Housing	39,805	(24,652)	15,153
19,596	(8,154)	11,442	Corporate Policy and Resources	12,899	(2,120)	10,779
16,983	(6,298)	10,685	Environment & Sustainability	20,554	(9,880)	10,674
27,564	(2,390)	25,174	Business Infrastructure - Growth	3,515	(9,963)	(6,448)
117,343	**(48,153)**	**69,190**	**Cost of Services**	**76,773**	**(46,615)**	**30,159**
1,510	(1,617)	(107)	Other Operating Expenditure	7,045	(6,242)	803
58,248	(48,772)	9,476	Financing and Investment Income and Expenditure	130,289	(393,300)	(263,011)
21,213	(53,801)	(32,588)	Taxation and Non-Specific Grant Income	28,991	(49,853)	(20,862)
198,313	**(152,342)**	**45,971**	**(Surplus) or Deficit on Provision of Services**	**243,098**	**(496,010)**	**(252,910)**
		1,362	(Surplus) or Deficit on revaluation of Property, Plant and Equipment			611
		4,848	Remeasurements of the net defined benefit liability/asset			7,431
		251	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			0
		6,461	**Other Comprehensive (Income) and Expenditure**			**8,042**
		52,432	**Total Comprehensive (Income) and Expenditure**			**(244,868)**

** Prior year restatement details provided in Note 37*

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The net increase/decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The prior year figures are shown for comparison.

2025/26	**General Fund Balance**	**Earmarked Reserves**	**Capital Receipts Reserves**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Reserves**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2025	**(3,508)**	**(52,181)**	**(2,741)**	**(1,777)**	**(60,207)**	**366,252**	**306,045**
(Surplus)/Deficit on provision of services	(252,910)	0	0	0	(252,910)	0	(252,910)
Other Comprehensive Income and Expenditure	0	0	0	0	0	8,042	8,042
Total Comprehensive Income and Expenditure	**(252,910)**	**0**	**0**	**0**	**(252,910)**	**8,042**	**(244,868)**
Adjustments between accounting & funding basis under regulations (Note 14)	272,474	0	2,741	(489)	274,726	(274,726)	0
Net (increase)/decrease before Transfers to Earmarked Reserves	**19,564**	**0**	**2,471**	**(489)**	**21,816**	**(266,684)**	**(244,868)**
Transfer to or from Earmarked Reserves (Note 16)	(19,564)	19,564	0	0	0	0	0
(Increase)/Decrease in-year	**0**	**19,564**	**2,471**	**(489)**	**21,816**	**(266,684)**	**(244,868)**
Balance carried forward 31st March 2026	**(3,508)**	**(32,618)**	**0**	**(2,266)**	**(38,391)**	**99,568**	**61,177**

Movement in Reserves Statement (continued)

2024/25 Restated	General Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2024	**(3,083)**	**(56,745)**	**(2,089)**	**(1,505)**	**(63,363)**	**316,574**	**253,211**
Prior Year Adjustment (see Note 37)	0	0	0	0	(60)	459	399
Restated balance at 1 April 2024	**(3,083)**	**(56,745)**	**(2,089)**	**(1,505)**	**(63,423)**	**317,033**	**253,610**
(Surplus)/Deficit on provision of services	45,971	0	0	0	45,971	0	45,971
Other Comprehensive Income and Expenditure	0	0	0	0	0	6,461	6,461
Total Comprehensive Income and Expenditure	**45,971**	**0**	**0**	**0**	**45,971**	**6,461**	**52,432**
Adjustments between accounting & funding basis under regulations (Note 14)	(41,832)	0	(653)	(272)	(42,757)	42,757	0
Net (increase)/decrease before Transfers to Earmarked Reserves	**4,139**	**0**	**(653)**	**(272)**	**3,214**	**49,219**	**52,433**
Transfer to or from Earmarked Reserves (Note 16)	(4,564)	4,564	0	0	0	0	0
(Increase)/Decrease in-year	**(425)**	**4,564**	**(653)**	**(272)**	**3,214**	**49,219**	**52,433**
Balance carried forward 31st March 2025	**(3,508)**	**(52,181)**	**(2,742)**	**(1,778)**	**(60,209)**	**366,251**	**306,043**

Balance Sheet

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

31 Mar 24 Restated*	31 Mar 25 Restated*			31 Mar 26
£'000	£'000		Notes	£'000
145,212	112,791	Property, Plant & Equipment	17	102,330
203	196	Heritage Assets		190
650,966	624,306	Investment Property	18	526,057
381	531	Intangible Assets		681
35,151	2,965	Long-term Investments	20	0
31,114	45,089	Long-term Receivables	22	39,993
863,027	**785,878**	**Long-term Assets**		**669,251**
384	8,046	Short-term Investments	20	17,115
0	2,044	Assets held for Sale	24	13,412
20	26	Inventories	19	40
10,287	18,416	Short-term Receivables	22	13,368
9,814	9,355	Cash & Cash Equivalents	23	4,158
20,505	**37,887**	**Current Assets**		**48,093**
(33,877)	(26,969)	Short-term Borrowing	20	(18,715)
(23,367)	(23,196)	Short-term Payables	25	(19,311)
0	(249)	Bank Overdraft	23	(634)
(1,234)	0	Short-term Provisions	28	(304)
(15,627)	(21,647)	Receipts in Advance	25	(17,405)
(304**)**	(505)	Lease Liabilities		0
(74,409)	**(72,566)**	**Current Liabilities**		**(56,369)**
(1,054,191)	(1,042,272)	Long-term Borrowing	20	(698,807)
(6,151)	(10,461)	Pension Scheme Liabilities	29	(16,799)
(621)	(417)	S106 Liabilities	13	(3,989)
0	(2,156)	Long-term Provisions	28	(621)
(1,871)	(1,937)	Lease Liabilities	26	(1,938)
(1,062,834)	**(1,057,243)**	**Long-term Liabilities**		**(722,154)**
(253,711)	**(306,044)**	**Net Liabilities**		**(61,179)**

** Prior year restatement details provided in Note 37*

Terry Collier
CPFA, CA
Section 151 Officer,
Chief Finance Officer

Dated: XX/XX/2026

TCollier

31 Mar 24 Restated*	31 Mar 25 Restated*			31 Mar 26
(63,423)	(60,207)	Usable Reserves	MiRS	(38,391)
317,134	366,253	Unusable Reserves	15	99,570
253,711	**306,046**	**Total Reserves**		**61,179**

SPELTHORNE BOROUGH COUNCIL

Cash Flow Statement

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

2024/25 Restated			**2025/26**
£'000		Notes	£'000
45,971	Net (surplus) or deficit on the provision of services		(252,910)
(49,789)	Adjustments to surplus on the Provision of Services for non-cash movements		258,038
(12,801)	Adjustments to surplus on the Provision of Services that are Investing and Financing Activities		(9,252)
(16,619)	Net Cash Flow from Operating Activities	30	(4,124)
(2,065)	Net Cash Flows from Investing Activities	31	(1,658)
19,143	Net Cash Flows from Financing Activities	32	10,979
459	**Net (increase)/decrease in Cash & Cash Equivalents**		**5,197**
9,814	Cash & Cash Equivalents at the beginning of the reporting period		9,355
(459)	Net increase/(decrease) in Cash & Cash Equivalents		(5,197)
9,355	**Cash & Cash Equivalents at the end of the reporting period**	23	**4,158**

** Prior year restatement details provided in Note 37*

SPELTHORNE BOROUGH COUNCIL

Notes to the Core Financial Statements

Note 1 Accounting Policies

i. General Principles

The statement of accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily compromise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (The Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

The statement of accounts has been prepared on a going concern basis, under the assumption that the Council's functions and services will continue in operational existence for the foreseeable future.

The Code confirms that the abolition of an authority, combinations of public sector bodies or the transfer of some of its services, under situations such as Local Government Reorganisation, do not negate the going concern presumption.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on 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 in financing and investment income and expenditure for the income that might not be collected.
- Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- Accruals are recognised where the value exceeds £5,000 for revenue purposes and £10,000 for capital.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period, no

SPELTHORNE BOROUGH COUNCIL

more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

v. Charges to Revenue for Non-current Assets

v. Council Tax and Non-Domestic Rates (England)

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

Accounting for Council Tax and NDR

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

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

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

vi. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement to the Accumulated Absences Account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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

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

Post-employment benefits

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

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

Liabilities are discounted to their value at current prices, using a discount rate of 6.2% (derived from a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index)

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

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset) is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It reflects the cost of unwinding the discount applied in calculating the defined benefit liability because members are one year closer to receiving their pension.

Re-measurements comprising:

- the return on pension plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

The Council's contributions paid to the Surrey Pension Fund are charged to the General Fund via a transfer with the Pension Reserve via the Movement in Reserves Statement in accordance with statutory requirements.

Discretionary Benefits

The Council provides discretionary post-employment benefits which arise from additional service for early retirements. These benefits are unfunded, with costs met directly from the Council's revenue account.

vii. Events After the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

viii. Financial Instruments

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- amortised cost, and
- fair value through other comprehensive income (FVOCI)

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

Financial assets measured at amortised cost

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

Financial assets measured at fair value through other comprehensive income

Financial assets that are measure at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

The only FVOCI assets held by the Council are its wholly owned subsidiary, Spelthorne Direct Services Ltd and a 10% stake in a management consultancy company, Applied Resilience Ltd. Given the minimal net worth of both companies, these assets have been measured at the net worth of the companies as a proxy for fair value in the Balance Sheet.

ix. Government Grants and Contributions

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

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

Where conditions attached to grants or contributions, monies received to date are carried in the Balance Sheet as creditors. Only when conditions have been satisfied or there are no conditions, the grant and contribution are credited to the CIES – either to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants).

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are transferred out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. When it has been applied to fund capital expenditure, it is posted to the Capital Adjustment Account.

Business improvement districts

A business improvement district (BID) scheme relates to Staines. The scheme if funded by a BID levy paid by non-domestic ratepayers. The Council act as principal under the scheme, and accounts for income and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Community infrastructure levy

The Council has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

The CIL is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges for this Council may be used to fund revenue expenditure.

x. Interests in Companies and Other Entities

The Council has a material interest in one wholly owned subsidiary company, namely, Knowle Green Estates Ltd group, which has been consolidated into the Council's Group Accounts on a line by line basis.

Consolidation has been undertaken after first re-aligning accounting policies with the Authority where appropriate and eliminating intra-Group transactions.

In the Council's single entity accounts, the interest in the above company is classified as a long-term investment and measured at cost less provision for any losses.

The Council has another wholly owned subsidiary, Spelthorne Direct Services Ltd, and a 10% shareholding in Applied Resilience Ltd. Neither are material to the Council and thus are reported as financial instruments. As the business model is to hold for the long-term rather than trade such interest, they are classified as FVOCI subject to any impairment balance.

xi. Inventories

Inventories (stocks of fuel, food and stationery) are valued at the latest price paid. This is a departure from the requirements of the Code and IAS2 (Inventories), which requires stocks to be shown at actual cost or net realisable value, if lower. The difference in value is not considered to be material. Property constructed for sale in the ordinary course of business is accounted for as inventory property. The cost of inventory includes all costs of purchase, conversion and other costs incurred in bringing the inventory to their present location and condition. When inventory property is sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.

xii. Investment Property

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiii. Leases

The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Council initially recognises lease liabilities measured at the present value of the lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. The weighted average of the incremental borrowing rates used to discount liabilities is 5%. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments, and
- penalties for early termination of a lease unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability cost, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

With such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short-term lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

These leases continue to be expensed to the Comprehensive Income and Expenditure Statement.

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering even occurred. Lease payments are debited against the liability. Rentals for leases of low-value items are shorter than 12 months are expensed.

Depreciation and impairments are not charges against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The authority as lessor

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

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or asset held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivables are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xiv. 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.

xv. Property, Plant and Equipment

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

Recognition

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

Property, plant and equipment is recognised where the initial cost or value exceeds £10,000.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured

at depreciated replacement cost (instant build) as an estimate of current value

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

In 2025/26 the Council revalued its entire property portfolio in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated using the straight-line method to allocate the cost or revalued amount of assets, net of their residual value, over their estimated lives as follows:

- buildings – 15-55 years

- vehicles, plant, furniture and equipment – 5 years
- IT equipment – 5 years
- Right of use assets

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

Charges to Revenue for Non-current Assets

Services, support services and trading accounts are charged on accounting estimate of the cost of holding non-current assets during the year. This compromises:

- 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 on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales), which is known as a Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the MiRS for the difference between the two.

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. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

Disposals

When an asset is disposed of or decommissioned, the gain or loss on disposal is recognised in the Other Operating Expenditure line in the CIES. Gains and losses on disposals comprise the following elements:

- the capital receipt from the proceeds of the sale. Only receipts over £10,000 are classed as capital receipts. The capital receipt element of the gain/loss on disposal is transferred to the Capital Receipts Reserve via the MiRS
- the carrying value of the asset disposed of or decommissioned, which is transferred to the Capital Adjustment Account via the MiRS, and
- any costs of administering the disposal.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are written out to the Capital Adjustment Account.

xvi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place on or before the Balance sheet date:

- that gives the Council a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

Contingent Assets

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

xvii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The earmarked reserve is then transferred back into the General Fund Balance so that there is no net charge against Council tax for the expenditure.

In addition, the Council maintains a number of unusable reserves to manage the accounting for the statutory overrides for non-current assets, financial instruments, local taxation, retirement and employee benefits. Unusable reserves do not represent usable resources for the Council. The purpose of each unusable reserve is explained in Note 15.

xviii. Revenue Expenditure Funded from Capital under Statute

Legislation requires defined items of expenditure charged to services within the CIES to be treated as capital expenditure. All such expenditure is transferred from the General Fund balance to the Capital Adjustment Account via the MiRS and is included in the Capital Expenditure and Financing disclosure note (Note 27).

xix. Value Added Tax (VAT)

The CIES excludes amounts relating to VAT. VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Note 2 Accounting Standards issued but not yet adopted

At the Balance Sheet date, the following new amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2026-27:

- Amendments to *FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage Assets)* require the entity's management to use its judgement to assess the characteristics of an asset to determine whether the asset is held principally for its contribution to knowledge and culture. This will have no impact on the Council's classification of heritage assets.

- *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7*) replace outdated references to IFRS 13 Fair Value Measurement used in IFRS 7 and replace the term "transaction price" with "the amount determined by applying IFRS 15" to ensure consistency with IFRS 15, within IFRS 9. In addition, amendments are made to IFRS9 which clarify that lessees should apply paragraph 3.3.3 of IFRS9 when a lease liability is extinguished to ensure proper recognition of any gains or losses in the Comprehensive Income and Expenditure Statement. These changes expected to have little impact on the Council's financial statements.

- *Annual improvements to IFRS accounting standards* amend IFRS10 Consolidated Financial Statements to be less conclusive where a party is acting as de facto agent, and in IAS7 Statement of Cash Flows replaces the term "cost method" with "at cost". These changes expected to have little impact on the Council's financial statements.

- *Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS* 7) will apply to contracts to buy or sell electricity where the supply is linked to the weather such as from wind or solar farms. The amendment will allow such variables to be settled in either cash or by another instrument, effectively as a hedging instrument. These changes expected to have little impact on the Council's financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. In the accounts these are as follows:

- The Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in Knowle Green Estates Limited is material to the Council's overall financial position and therefore has been consolidated within the Council's Group Accounts.

- The Council has advanced four loans to Knowle Green Estates Limited over the past seven years totalling £42m. The loans were advanced at below market rates and therefore under the Code should be accounted for as soft loans by discounting the value of the loans for the inherent subsidy and recognising the subsidy as an increase in the investment in the company which would then be amortised down as the loans were repaid. Hitherto the Council has omitted to make this disclosure. In view of the Council's decision to wind up the company in 2026/27, the Council sees little value in amending its accounting policy and has decided it will continue to account for the loans at their nominal value. This will have no impact on either the financial performance or position of the Council at 31 March 2026.

Note 4 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 situations that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty, and actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Property, Plant and Equipment and Fair Value of Surplus Assets	The Council's operational asset portfolio (i.e. excluding investment property) was valued by Montagu Evans. All 100% of the portfolio was revalued at 31 March 2026. Valuations are registered valuers within the Royal Institute of Chartered Surveyors (RICS). They use recognised measurement techniques and professional guidance to undertake valuations. The valuers use a combination of methodologies to value operational assets, primarily Existing Use Value (EUV) and Depreciated Replacement Cost (DRC). These methods can cause estimation uncertainty due to the indices and inputs (such as floor area) that must be used to apply valuations. The estimated remaining useful life of all operational assets is reviewed annually based on the advice of the Council's external valuers.	A variation of 10% in the value of the Council's operational land and buildings would be approximately £9.935m. A reduction in the estimated valuations would result in a reduction in the revaluation reserve balance and/or a loss charged to the Comprehensive Income and Expenditure Statement (CIES). Conversely an increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the CIES and/or increases to the revaluation reserve and/or gains charged to the CIES.

Fair value of Assets held for Sale	The Council holds £12m of Assets held for Sale, which have been valued at fair value by Montagu Evans.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. Assets held for Sale were valued at £13.412m at 31 March 2026. The effect of a 1% change in the carrying value of the investment property portfolio would result in an additional debit/credit to the CIES of £0.1m (2024/25: £0.1m).
Net Pensions Liability	The Council had net pension liabilities of £16.799m at 31 March 2026. Estimation of the net liability or asset to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. A one year increase in the life expectancy of members would result in an increase in the net the net present value of the total defined benefit obligation by £4.349m from £16.799m to £21.148m. Note 29 Defined Benefits Pension Scheme provides more information on the sensitivity analysis.
Fair Value measurement of Investment Properties	The Council employs valuers Knight Frank to value the investment property portfolio annually. The valuation techniques used take into account lease profile, tenant covenant, rent status and location. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available, in which case the valuers use the best information available. The key inputs which would impact on the value of the portfolio are market rent yield, vacancy rates and void periods and capitalisation rate.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. The investment properties were valued at £526.057m at 31 March 2026. The effect of a 1% change in the carrying value of the investment property portfolio would result in an additional debit/credit to the CIES of £5.3m (2024/25: £5.8m)

Note 5 Material Items of Income and Expense

For the purposes of this Note, the Council considers material items to be those greater than £3m.

During the year the Council had the following material items of income and expenditure:

- In November 2025, the Council restructured £905.3m of loans held with the Public Work Loans Board generating a discount of £342.6m in order to comply with the Statutory Direction issued by the Secretary of State in May 2025 which requires the Council to implement a strict debt reduction policy. The discount received was credited to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. In accordance with statutory requirements, the discount has been transferred to the Financial Instruments Adjustment Account and is being amortised to the General Fund over 10 years commencing 2025/26. The £34.26m amortisation is reflected in the Statutory Adjustments line in the Movement in Reserves Statement and the supporting Financial Instruments Adjustment Account Note (Note 15).

- In November 2025, the Council amended its MRP policy to meet the requirement of the Statutory Direction to set MRP strictly in accordance with Statutory MRP Guidance. Accordingly, the MRP charge for 2025/26 was increased to £59.6m.

- The Council disposed of 3 Roundwood Avenue, Stockley Park, Uxbridge for £5m in order to comply with the Statutory Direction to rationalise its property portfolio.

- The Council received £13.9m (£19.2m in 2024/25) in Housing Benefit (HB) Subsidy in respect of HB payments of £14.3m (£19.4m in 2024/25) paid to claimants during the year.

- Following the downward valuation of the freehold assets held by Knowle Green Estates Ltd below the carrying value of the loan advances which are secured against those assets, the Council has impaired the loans by £4.725m.

Note 6 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2025/26	As reported in Narrative Report	Adjustments to arrive at exp charged to GF balance	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Community Wellbeing & Housing	5,863	(15,462)	(9,598)	(24,752)	15,153
Corporate Policy and Resources	11,140	(37,606)	(26,466)	(37,245)	10,779
Environment & Sustainability	5,337	(31,245)	(25,908)	(36,582)	10,674
Business Infrastructure-Growth	2,716	(16,671)	(13,955)	(7,507)	(6,448)
Net Cost of Services	**25,057**	**(100,983)**	**(75,927)**	**(106,085)**	**30,158**
Other Income and Expenditure	(25,057)	120,546	95,489	378,559	(283,070)
(Surplus) or Deficit	**0**	**19,563**	**19,562**	**272,474**	**(252,912)**
Opening General Fund Balance			(55,689)		
Closing General Fund Balance			**(36,126)**		

2024/25 Restated*	As reported in Narrative Report	Adjustments to arrive at exp charged to GF balance	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Community Wellbeing & Housing	14,128	(9,973)	4,155	(17,521)	21,890
Corporate Policy and Resources	7,662	(19,933)	(12,271)	(24,274)	11,442
Environment & Sustainability	8,309	(21,323)	(13,014)	(23,412)	10,684
Business Infrastructure-Growth	3,025	17,104	20,129	(4,984)	25,174
Net Cost of Services	**33,124**	**(34,125)**	**(1,001)**	**(70,191)**	**69,190**
Other Income and Expenditure	(33,124)	38,264	5,140	28,359	(23,219)
(Surplus) or Deficit	**0**	**4,140**	**4,140**	**(41,832)**	**45,971**
Opening General Fund Balance			(59,829)		
Closing General Fund Balance			**(55,689)**		

**Prior year restatement details provided in Note 37*

Note 6.1 Expenditure and Funding Analysis Reconciliation

2024/25 Restated*					2025/26			
Adjustments for Capital Purposes	**Net Change for Pension Adjustments**	**Other Adjustments**	**Total Adjustments**		**Adjustments for Capital Purposes**	**Net Change for Pension Adjustments**	**Other Adjustments**	**Total Adjustments**
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
(17,668)	134	13	(17,521)	Community Wellbeing & Housing	(23,900)	255	(1,107)	(24,752)
(24,479)	186	18	(24,275)	Corporate Policy and Resources	(35,962)	384	(1,666)	(37,245)
(23,608)	180	17	(23,411)	Environment & Sustainability	(35,322)	377	(1,636)	(36,582)
(5,026)	38	4	(4,984)	Business Infrastructure-Growth	(7,249)	77	(336)	(7,507)
(70,781)	**538**	**52**	**(70,191)**	**Net Cost of Services**	**(102,433)**	**1,093**	**(4,745)**	**(106,085)**
25,717	0	2,642	28,359	Other income and expenditure from the Expenditure and Funding Analysis	69,685	0	308,874	378,559
(45,064)	**538**	**2,694**	**(41,832)**	**Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**(32,748)**	**1,093**	**304,129**	**272,474**

**Prior year restatement details provided in Note 37*

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Adjustments for capital purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants 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 receivable in the year without conditions or for which conditions were satisfied in the year

Net change for the pension adjustments

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 authority 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

Other statutory adjustments

Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For financing and investment income and expenditure the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the collection fund.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments, e.g. for un-ringfenced government grants.

Note 6.2 Expenditure and Income Analysed by Nature

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

	2024/25 Restated*	2025/26
	£'000	£'000
Expenditure		
Employees benefits expenses	24,129	25,480
Other Service Expenses	87,845	148,740
Depreciation, Amortisation and Impairment	39,382	11,276
Interest Payments	25,744	28,613
Total Expenditure	**177,100**	**214,109**
Income		
Fees, Charges and Other Service Income	(19,935)	(33,406)
Interest and Investment Income	(48,771)	(393,300)
Income from Council Tax and Business Rates	(14,768)	(15,751)
Government Grants and Contributions	(47,655)	(24,562)
Total Income	**(131,129)**	**(467,019)**
(Surplus) or Deficit on the Provision of Services	**45,971**	**(253,910)**

**Prior year restatement details provided in Note 37*

Note 7 Other Operating Expenditure

2024/25 Restated*				2025/26		
Expenditure	**Income**	**Total**		**Expenditure**	**Income**	**Total**
£’000	£’000	£’000		£’000	£’000	£’000
1510	(1,617)	(107)	Derecognition of assets	7,045	(6,242)	803
1510	**(1,617)**	**(107)**	**Total**	**7,045**	**(6,242)**	**803**

**The 2024/25 comparators have been restated because the Summit Centre had been misclassified as an Asset held for Sale. The restatement has increased the derecognition of assets by £38k due to reclassification of cost to sell for the Summit Centre.*

Note 8 Financing and Investment Income and Expenditure

2024/25 Restated*				2025/26		
Expenditure	Income	Total		Expenditure	Income	Total
£’000	£’000	£’000		£'000	£'000	£’000
25,469	0	25,469	Interest payable and similar charges	28,055	0	28,055
276	0	276	Net interest on the net defined benefit liability (asset)	558	0	558
0	(3,123)	(3,123)	Interest receivable and similar income	0	(2,784)	(2,784)
32,503	(45,649)	(13,145)	Income and expenditure in relation to investment properties and changes in their fair value	96,951	(47,906)	49,045
0	0	0	Expected Credit Loss on KGE loans	4,725	0	4,725
0	0	0	Discount received on debt restructure	0	(342,610)	(342,610)
58,248	**(48,771)**	**9,477**	**Total**	**130,289**	**(393,300)**	**(263,011)**

**The 2024/25 comparators have been restated because the Summit Centre had been misclassified as an Asset held for Sale and the Elmsleigh Shopping Centre had been misclassified as an operational asset. The restatement has increased fair value adjustments by £3.6m from £9.545m to £13.145m in 2024/25.*

Note 9 Taxation and Non-Specific Grant Income and Expenditure

2024/25				2025/26		
Expenditure	**Income**	**Total**		**Expenditure**	**Income**	**Total**
£'000	£'000	£'000		£'000	£'000	£'000
0	(9,597)	(9,597)	Council Tax Income	814	(10,173)	(9,359)
21,213	(26,384)	(5,171)	Non-Domestic Rates Income	28,177	(34,569)	(6,393)
0	(5,387)	(5,387)	Non-Ringfenced Government Grants	0	(2,020)	(2,020)
0	(12,433)	(12,433)	Capital Grants and Contributions	0	(3,090)	(3,090)
21,213	**(53,801)**	**(32,588)**	**Total**	**28,991**	**(49,853)**	**(20,862)**

Note 10 Officers' Remuneration

The number of exit packages with total cost of the compulsory and other redundancies are set out in the table below.

The total cost of £169,601 for exit packages have been charged to Comprehensive Income and Expenditure Statement in 2025/26. This includes the total accrued cost for terminating the contract for the former Chief Executive agreed in December 2025.

Exit packages per cost band (including special payments)			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	
			2024/25	**2025/26**	**2024/25**	**2025/26**	**2024/25**	**2025/26**	**2024/25**	**2025/26**
£		£	No.	No.	No.	No.	No.	No.	£	£
150,001	-	200,000	0	0	0	0	0	1	0	165,645
100,001	-	150,000	0	0	0	0	0	0	0	0
80,001	-	100,000	0	0	0	0	0	0	0	0
60,001	-	80,000	0	0	0	0	0	0	0	0
40,001	-	60,000	1	0	0	0	1	0	57,999	0
20,001	-	40,000	2	0	0	0	2	0	50,885	0
0	-	20,000	4	0	3	1	7	1	57,109	3,956
Total			**7**	**0**	**3**	**1**	**10**	**2**	**165,993**	**169,601**

The remuneration paid to the Council's senior employees defined as those who are members of Management Board, or those holding statutory posts is as follows:

Post holder information 2025/26	Pay, fees and allowances	Pension contributions	Total
	£	£	£
Chief Executive – Daniel C Mouawad*	109,059	19,134	128,193
Chief Executive – Gordon Mitchell**	28,600	0	28,600
Deputy Chief Executive & Chief Financial Officer, s.151 Officer***	139,342	25,740	165,082
Deputy Chief Executive	118,743	19,552	138,295
Group Head of Corporate Governance	98,316	15,743	114,059

**Daniel Mouawad's employment ended on 30 April 2026. The payments above reflect his remuneration to 31 March 2026.*

***Gordon Mitchell commenced employment as Chief Executive with effect from 2 March 2026. The cost excludes a fee of £5,434 paid to an agency.*

****The Deputy Chief Executive and s.151 Officer was interim Chief Executive for the period 15 December 2025 to 1 March 2026.*

In addition to the above senior officers of the Council, the Council also pays the fees of the four Best Value Commissioners appointed by the Secretary of State under the Statutory Direction issued to the Council in May 2025. The total cost of their fees in 2025/26 was £357,105. They are not classed as employees and so are not included in the above senior officer disclosure. Further details can be found on the Council website under Commissioners fees and expenses section.

Post holder information 2024/25	Pay, fees and allowances	Pension contributions	Total
	£	£	£
Chief Executive – Daniel C Mouawad	164,795	26,664	191,459
Deputy Chief Executive & Chief Financial Officer	123,817	19,977	143,794
Deputy Chief Executive	115,840	18,983	134,823
Group Head of Corporate Governance	77,790	12,975	90,765

The Council's other employees receiving more than £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

Remuneration Band		**2024/25 Restated***	**2025/26**
£	£	Number	Number
50,000	54,999	20	16
55,000	59,999	13	14
60,000	64,999	9	11
65,000	69,999	2	3
70,000	74,999	4	2
75,000	79,999	0	1
80,000	84,999	3	0
85,000	89,999	3	4
90,000	94,999	0	0
95,000	99,999	1	1
100,000	104,999	0	0
105,000	109,999	0	0
110,000	114,999	0	0
115,000	119,999	0	0
120,000	124,999	0	0
125,000	129,999	0	0
130,000	134,999	0	0
135,000	139,999	0	0
140,000	144,499	0	0
145,000	149,999	0	0
150,000	154,999	0	0
155,000	159,999	0	0
160,000	164,999	0	0
		55	**52**

**The comparator figures for 2024/25 have been restated because the figures reported incorrectly included the four senior officers which shown in a separate note and was overstated by one.*

The table includes compensation payments for loss of employment. It excludes senior officer salaries which are shown in a separate note.

Note 11 Members Allowances

The Council paid the following amounts to members of the Council during the year.

	2024/25	2025/26
	£'000	£'000
Basic allowances	266	267
Special Responsibility allowances	96	93
Expenses	1	1
Total	**363**	**361**

Note 12 External Audit Costs

The Council has incurred the following cost 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 auditor. The External Audit in 2024/25 was undertaken by Grant Thornton and the 2025/26 Audit is also being provided by them.

	2024/25	2025/26
	£'000	£'000
Fees payable to external auditor with regard to external audit services carried out by the appointed auditor for the year	222	228
Fees payable to external auditor for the certification of Housing Benefit Grant return	39	42
Total	**261**	**270**

Note 13 Grants and Contributions

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2025/26:

	2024/25	2025/26
	£'000	£'000
Credited to Services		
Housing Benefit Subsidy	(19,397)	(14,244)
Extended Producer Responsibility Packaging	0	(1,506)
Homelessness Prevention Grant	(857)	(1,333)
Ukraine Refugee	(477)	(419)
Afghan Citizen Resettlement Scheme	(1,819)	(710)
Discretionary Housing Payment Grant	(203)	(203)
Rough Sleeping Initiative	(229)	(173)
NNDR Cost of Collection	(122)	(122)
Asylum Dispersal Scheme Grant*	(120)	(139)
Environmental Health Grants	0	(80)
Local Authority Housing Fund	(1,414)	(42)
Household Support Scheme	(252)	(26)
Covid 19 Historical Grant Monies	(2,994)	0
Shared Prosperity Fund	(880)	0
Spelthorne Families Support Fund	(503)	0
Other revenue grants*	(568)	(535)
Total	**(29,835)**	**(19,532)**
Credited to Taxation and Non-Specific Grant Income		
Capital grants and contributions	(12,433)	(3,090)
Non-ringfenced grants and contributions	(2,111)	(2,020)
Total grants and contributions credited to Net Cost of Services	**(44,379)**	**(24,642)**

**In 2024/25 this grant was part of the other revenue grants line.*

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The Council has received a number of grants and contributions that have yet to be recognised as income, as they have conditions attached to them that could require the money to be returned to the awarding body. The balances shown below are included in the Balance Sheet under Long Term Liabilities. The balances are as follows:

	2024/25	2025/26
	£'000	£'000
Developers' contributions	(417)	(3,989)
Total	**(417)**	**(3,989)**

Note 14 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments are made to the Comprehensive Income and Expenditure Statement recognised by the Council in the year, in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

Note 14 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2025/26	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	Relevant Unusable Reserve
Reversal of items debited or credited to the CIES	£'000	£'000	£'000	£'000	
Depreciation, Amortisation and Impairments	(2,398)	0	0	2,398	Capital Adjustment Account
Movements in the market value of Investment Properties	(91,373)	0	0	91,373	
Revenue expenditure funded from capital under statute	(1,663)	0	0	1,663	
Non-current assets written out on disposal	0	0	0	0	
Adjustment for Expected Credit Loss (Investments)	(4,725)	0	0	4,725	
Costs associated with derecognition of Investment Properties	(7,000)	0	0	7,000	
Other	35	0	0	(35)	
Grant income transferred to Capital Grants Unapplied	2,716	0	(2,716)	0	
Transfers between revenue and capital resources					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	6,242	(6,242)	0	0	Capital Adjustment Account
Minimum Revenue Provision	59,627	0	0	(59,627)	Capital Adjustment Account
Capital receipts applied to the repayment of debt	0	(283)	0	283	
Capital expenditure charged to revenue balances	597	0	0	(597)	
Adjustments to capital resources					
Application of capital grants and other contributions to finance capital expenditure	468	0	2,229	(2,697)	Capital Adjustment Account
Application of capital receipts to finance capital expenditure	0	9,631	0	(9,631)	
Cash payments in relation to Deferred Capital Receipts	0	(365)	0	365	Deferred Capital Receipts Reserve
Adjustments between accounting and funding basis under regulations					
Financial Instruments – loan discount and amortisation of loan discount	342,610	0	0	(342,610)	Financial Instruments Adjustment Account
Financial Instruments – amortisation of loan discount	(34,261)	0	0	34,261	

Financial Instruments - Write out accumulated gains on assets sold	(2,600)			2,600	Financial Instruments Revaluation Reserve
Statutory adjustments in respect of employers pension contributions	1,093	0	0	(1,093)	Pension Reserve
Council Tax and NNDR	3,125	0	0	(3,125)	Collection Fund Adjustment Account
Holiday pay	(20)	0	0	20	Accumulated Absences Reserve
Total Adjustments	**272,474**	**2,741**	**(489)**	**274,728**	

Note 14 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2024/25 Restated*	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	Relevant Unusable Reserve
Reversal of items debited or credited to the CIES	£'000	£'000	£'000	£'000	
Depreciation, Amortisation and Impairments	(38,524)	0	0	38,524	Capital Adjustment Account
Movements in the market value of Investment Properties	(26,660)	0	0	26,660	
Revenue expenditure funded from capital under statute	(1,564)	0	0	1,564	
Non-current assets written out on disposal	(433)	0	0	433	
Grant income transferred to Capital Grants Unapplied	2,105	0	(2,105)	0	
Transfers between revenue and capital resources					
Transfer of sale proceeds from revenue to the Capital Receipts Reserve	406	(368)	0	38	Capital Adjustment Account*
Minimum Revenue Provision	19,268	0	0	(19,268)	Capital Adjustment Account
Capital expenditure charged to revenue balances	357	0	0	(357)	
Other Adjustment	(19)			19	Capital Adjustment Account
Adjustments to capital resources					
Application of capital grants and other contributions to finance capital expenditure	0	0	1,833	(1,833)	Capital Adjustment Account
Cash payments in relation to Deferred Capital Receipts	0	(285)	0	285	Deferred Capital Receipts Reserve
Adjustments between accounting and funding basis under regulations					
Statutory adjustments in respect of employers pension contributions	538	0	0	(538)	Pension Reserve
Council Tax and NNDR	2,642	0	0	(2,642)	Collection Fund Adjustment Account
Holiday pay	52	0	0	(52)	Accumulated Absences Reserve
Total Adjustments	**(41,832)**	**(653)**	**(272)**	**42,757**	

**Prior year restatement details provided in Note 37*

Note 15 Unusable Reserves

The balances on unusable reserves and the entries affecting them are outlined below:

	2024/25 Restated	2025/26
	£'000	£'000
Revaluation Reserve	(41,062)	(41,068)
Financial Instruments Revaluation Reserve	(2,600)	0
Financial Instruments Adjustment Account	0	(308,349)
Capital Adjustment Account	440,433	475,905
Deferred Capital Receipts Reserve	(41,846)	(41,481)
Pension Reserve	10,461	16,799
Collection Fund Adjustment Account	514	(2,609)
Accumulated Absences Account	353	373
Total Unusable Reserves	**366,252**	**99,570**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- re-valued 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 the 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.

	2024/25	2025/26
	£'000	£'000
Balance at 1 April	(41,792)	(41,062)
Upward revaluation of assets	(9,083)	(21,671)
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	12,119	24,373
Depreciation written down on revaluation	(1,673)	(2,091)
Difference between fair value and historic cost depreciation	(633)	(617)
Balance at 31 March	**(41,062)**	**(41,068)**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued upwards/downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

	2024/25	2025/26
	£'000	£'000
Balance at 1 April	**(2,851)**	**(2,600)**
Revaluation of investments not charged to the Surplus on the Provision of Services	251	0
Accumulated gains on assets sold written out to the General Fund balance	0	(2,600)
Balance at 31 March	**(2,600)**	**0**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage discounts received on the early redemption of loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are received but reversed out of the General Fund Balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The discount is credited back to the General Fund Balance in ten equal annual instalments in accordance with statutory arrangements.

	2024/25	2025/26
	£'000	£'000
Balance at 1 April	**0**	**0**
Premium/discounts on early repayment of debt	0	(342,610)
Amortisation of loan discount	0	34,621
Balance at 31 March	**0**	**(308,349)**

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 Comprehensive Income and Expenditure Statement (with reconciling posting from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction, and enhancement.

The Account contains the 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 property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 14 (Adjustments between Accounting Basis and Funding Basis under Regulations) provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

	2024/25	2025/26
	£’000	£'000
Balance at 1 April	**379,015**	**440,433**
Restatement*	3,915	
Restated Balance at 1 April	**382,930**	
Reversal of items relating to capital debited or credited to the Comprehensive Income and Expenditure Statement (CIES)		
Depreciation, Amortisation and Impairments	38,524	7,123
Changes in the valuation of Investment Property	26,660	91,373
Current value of asset disposals	10,601	7,000
Revenue Expenditure funded from Capital under Statute	1,564	1,663
Adjustments to depreciation on revalued assets	632	617
Net written out amount of the cost of non-current assets consumed in the year	**77,981**	**107,776**
Capital financing applied in the year		
Use of Capital Receipts Reserve	0	(9,631)
Capital grants and contributions credited to the CIES	(815)	(2,696)
Direct revenue funding	(357)	(598)
Minimum revenue provision	(19,268)	(59,627)
Capital financing applied in year	**(20,440)**	**(72,552)**
Other movements	(38)	248
Balance at 31 March	**440,433**	**475,905**

**The opening balance at 1 April 2024 has been restated by £3.915m to reflect the omission of entries connected with loans advanced to the Council’s subsidiary company, Knowle Green Estates Ltd in previous years. For more information, please see Note 37 Prior Period Adjustment.*

Deferred Capital Receipts Reserve

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

	2024/25	2025/26
	£'000	£'000
Balance at 1 April	**(27,509)**	**(41,846)**
Restatement*	(3,356)	
Restated balance at 1 April	**(30,865)**	
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,622)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	285	365
Balance at 31 March	**(41,846)**	**(41,481)**

**The opening balance at 1 April 2024 has been restated by £3.356m to reflect the understatement of deferred capital receipts from previous years when assets were transferred to the Council's subsidiary company, Knowle Green Estates Ltd. For more information, please see Note 37 Prior Period Adjustments.*

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pension for which it is directly responsible. Since 2024/25 Surrey Pension Fund moved from being underfunded to fully funded therefore the Surrey Pension Fund has moved into a surplus position. The Council's share of assets exceeds its funded obligations (approximately £133m assets vs £107m obligations at 31 March 2026), giving an underlying surplus of c.£26m (2025: c.£15m).

However, accounting standards (IAS19) restrict the recognition of this surplus through the application of the asset ceiling, which reflects the extent to which the surplus is recoverable (e.g. through contribution reductions). As a result, the Council continues to report a net pension liability of £16.8m on its Balance Sheet. The Pensions Reserve absorbs the timing differences between the accounting treatment of pension costs under IAS19 and the statutory arrangements for funding those costs, ensuring no impact on the General Fund.

	2024/25	2025/26
	£'000	£'000
Balance at 1 April	**6,151**	**10,461**
Remeasurement of net defined benefits liabilities/(assets)	4,848	7,431
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	3,540	2,970
Employers pension contributions and direct payments to pensioners payable in the year	(4,078)	(4,063)
Balance at 31 March	**10,461**	**16,799**

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 Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The Collection Fund is accounted for on an agency basis, the Council being the agent in relation to the collection of Council Tax and business rates. The balance showing below reflects the Council's share of the Collection Fund balance at the end of the financial year.

	2024/25	2025/26
	£'000	£'000
Balance at 1 April	**3,155**	**514**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(716)	815
Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(1,926)	(3,939)
Balance at 31 March	**514**	**(2,609)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2026. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2024/25	2025/26
	£'000	£'000
Balance at 1st April	**405**	**353**
Settlement or cancellation of accrual made at the end of the preceding year	(405)	(353)
Amounts accrued at the end of the current year	353	373
Balance at 31st March	**353**	**373**

Note 16 Transfers to and from Earmarked Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement.

Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service within the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund balance via an entry in the Movement in Reserves Statement.

Movement in Earmarked Reserves	Balance 1 April 2024	Transfers Out	Transfers In	Transfers between Reserves	Balance 31 March 2025	Transfers Out	Transfers In	Transfers between Reserves	Balance 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Grants Unapplied	(3,526)	382	(3,069)	0	(6,213)	731	(395)	0	(5,877)
Insurance Fund	(50)	0	0	0	(50)	0	0	50	0
Planned Spending Funds	(7,673)	1,242	(2,418)	(1,462)	(10,312)	0	0	10,312	0
Acquired Properties Funds	(34,421)	9,411	(1,251)	0	(26,261)	0	0	26,261	0
Youth Council Fund	(20)	0	0	0	(20)	0	0	20	0
Local Environmental Assessment Fund	(154)	0	0	0	(154)	0	0	154	0
Green Belt Fund	(900)	281	0	0	(619)	0	0	619	0
Harper & White House Accommodation Fund	(104)	0	(48)	0	(153)	0	0	153	0
Woodthorpe Recreation Ground & Fordbridge Park Fund	(80)	0	0	0	(80)	0	0	80	0
Temporary Accommodation Reserve	0	0	0	0	0	0	0	(153)	(153)
Service Resilience Reserve	0	0	0	0	0	23,912	(5,648)	(37,496)	(19,232)
Contributions from Developers	(9,817)	1,504	(6)	0	(8,319)	963	0	0	(7,356)
Earmarked Reserves at 31 March	**(56,746)**	**12,820**	**(6,792)**	**(1,462)**	**(52,181)**	**25,606**	**(6,043)**	**0**	**(32,618)**

The Council has a **Revenue Grants Unapplied Reserve** for revenue grants and contributions recognised as income where there are no outstanding conditions.

During the year the Council approved a revised reserves strategy as a result of which, most of the earmarked reserves have been amalgamated into the **Service Resilience Reserve**. The purpose of this new reserve will be to support the Medium-Term Financial Strategy in the run-up to vesting day on 1 April 2027.

The Harper & White House Accommodation Fund which had been established for the specific costs arising from holding both assets has been renamed as the **Temporary Accommodation Reserve** which accurately reflects the purpose of the fund.

The **Contributions from Developers Reserve** represents statutorily ringfenced funds collected from developers under the Council's Community Infrastructure Levy (CIL) scheme, which can only be used for the purposes set out in the Council approved CIL Scheme.

Note 17 Property, Plant and Equipment

Movement on balances

2025/26	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Valuation at 1 April	**104,065**	**5,714**	**214**	**2,658**	**316**	**7,776**	**120,743**
Adjustment	137	0	0	(131)	0	0	**6**
Additions	775	332	0	0	2,171	490	**3,768**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,238)	0	0	2,973	0	357	**(2,908)**
Impairment losses reversed in the Surplus/Deficit on the Provision of Services	(6,503)	0	0	4,713		(1,149)	**(2,939)**
De-recognition	0	0	0	0	0	0	**0**
Transfer to Assets Held for Sale	(525)	0	0	(8,108)	0	0	**(8,633)**
Other movements in cost or valuation	(1,731)	0	551	1,180	0	80	**80**
Gross Book Valuation at 31 March	**89,980**	**6,046**	**765**	**3,285**	**2,487**	**7,554**	**110,117**
Accumulated Depreciation at 1 April (Restated)	**(925)**	**(4,195)**	**(30)**	**0**	**0**	**(2,802)**	**(7,952)**
Reclassification of Depreciation	45	0	(45)	0	0	0	**0**
Depreciation for the year	(1,616)	(314)	(11)	(60)	0	(672)	**(2,673)**
Restatement of Depreciation upon Revaluation to Revaluation Reserve	2,294	0	0	0	0	5	**2,299**
Restatement of Depreciation written out to the Surplus/Deficit on the provision of Services	202	0	0	60	0	277	**539**
Restatement of Depreciation upon Disposal							
Accumulated Depreciation at 31 March	**0**	**(4,509)**	**(86)**	**0**	**0**	**(3,192)**	**(7,787)**
Net Book Value at 1 April	**103,140**	**1,519**	**184**	**2,658**	**316**	**4,972**	**112,791**
Net Book Value at 31 March	**89,890**	**1,537**	**679**	**3,285**	**2,487**	**4,362**	**102,330**

Movement on balances 2024/25

2024/25 Restated*	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Valuation at 1 April	**67,394**	**6,354**	**202**	**35,203**	**40,709**	**2,479**	**152,341**
Adjustment	110	0	0	0	0	26	136
Additions	461	285	121	0	8,196	820	9,883
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,973)	0	0	653	0	1,396	(1,924)
Impairment losses reversed in the Surplus/Deficit on the Provision of Services	(4,681)	0	0	(31,238)	0	(901)	(36,820)
De-recognition	0	(925)	0	0	142	0	(783)
Transfer to Assets Held for Sale	0	0	0	(2,090)	0	0	(2,090)
Other movements in cost or valuation	44,754	0	(109)	130	(48,731)	3,956	0
Gross Book Valuation at 31 March	**104,065**	**5,714**	**214**	**2,658**	**316**	**7,776**	**120,743**
Accumulated Depreciation at 1 April (Restated)	**(2,546)**	**(4,217)**	**(24)**	**0**	**0**	**(341)**	**(7,128)**
Reclassification of Depreciation	1,738	0	0	0	0	(1,738)	0
Depreciation for the year	(844)	(322)	(6)	0	0	(723)	(1,895)
Restatement of Depreciation upon Revaluation to Revaluation Reserve	449	0	0	0	0	0	449
Restatement of Depreciation written out to the Surplus/Deficit on the provision of Services	278	0	0	0	0	0	278
Restatement of Depreciation upon Disposal	0	344	0	0	0	0	344
Accumulated Depreciation at 31 March	**(925)**	**(4,195)**	**(30)**	**0**	**0**	**(2,802)**	**(7,952)**
Net Book Value at 1 April	**64,848**	**2,137**	**178**	**35,203**	**40,709**	**2,138**	**145,213**
Net Book Value at 31 March	**103,140**	**1,519**	**184**	**2,658**	**316**	**4,974**	**112,791**

**Prior year restatement details provided in Note 37*

Depreciation

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

- Land - freehold land is not depreciated
- Buildings – 15 to 55 years
- Vehicles, plant furniture & other equipment – 5 years
- IT equipment – 5 years
- Right of use assets – 3 to 125 years

Capital commitments

At 31 March 2026, the Council has entered into a number of contracts with a total value of £1.369m for the construction of property, plant and equipment over the five year period from 1 April 2026 to 31 March 2031 summarised below. Similar commitments at 31 March 2025 were £2.11m.

	Commitment at 31 March 2026
	£'000
Sunbury Leisure Centre Upgrades	319
Eclipse Leisure Centre Phase 2	559
Vehicles	405
Other capital commitments	86
Total	**1,369**

Effect of changes in estimates

In 2025/26 the Council made no material changes to its accounting estimates for property, plant, and equipment.

Revaluations

The Council ensures that all property, plant and equipment required to be measured at current value is revalued sufficiently regularly so that their carrying amount is not materially different from their current value at the year-end and so as a minimum every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council draws on the expertise of Registered Valuer Montague Evans to calculate valuations, useful lives and impairment reviews in accordance with the professional guidance.

Valuations of land and buildings carried out at fair value are as follows:

Revaluations	Land & Buildings	Vehicles, Plant and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	775	1,537	679		2,487	1,748	7,226
Held at valuation value in:							
31 March 2026	88,935			3,555		2,614	95,104
Total	**89,710**	**1,537**	**679**	**3,555**	**2,487**	**4,362**	**102,330**

Valuations of vehicles, plant & equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

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Note 18 Investment Property

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

	2024/25 Restated*	2025/26
	£'000	£'000
Balance at 1 April	**650,966**	**624,306**
Additions	0	124
Disposals	0	(7,000)
Losses from fair value adjustments	(26,660)	(91,373)
Balance at 31 March	**624,306**	**526,057**

**The 2024/25 comparators have been restated because the Summit Centre had been misclassified as an Asset held for Sale and the Elmsleigh Shopping Centre had been misclassified as an operational asset. The restatement has been increased the opening value of investment property by £37.061m from £613.365m to £650.966m at 31 March 2025 and to reduce the losses from fair value adjustments by £3.6m from £30.260m to £26.660m in 2024/25.*

Included within the value of investment property held at 31 March 2026 is the Summit Centre which is classified as an investment property held for sale at £14.5m.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2024/25 Restated*	2025/26
	£’000	£'000
Rental income from investment property	(48,102)	(46,762)
Other income from investment property	(1,395)	(1,143)
Direct operating expenses arising from investment property	6,536	5,578
Net (gain)/loss	**(42,961)**	**(42,327)**

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 repairs, maintenance or enhancement.

**2024/25 has been restated to include the Summit Centre and the Elmsleigh Shopping Centre as they have been reclassified.*

Note 19 Inventories

	2024/25	**2025/26**
	£'000	£'000
Balance at 1 April	**20**	**26**
Purchases - Stock	421	532
Purchases – LAHF Properties	21,449	0
Expensed in year	(391)	(503)
Wastage	(24)	(15)
Derecognition	(21,449)	0
Balance at 31 March	**26**	**40**

Note 20 Financial Instruments

Categories of Financial Instruments

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

Non-Current 2024/25	Current 2024/25	Total		Non-Current 2025/26	Current 2025/26	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
2,966	0	2,966	Held at FVOCI	0	0	0
			Held at amortised cost:			
0	8,046	8,046	Investments	0	17,115	17,115
45,089	14,974	60,063	Debtors	39,993	10,190	50,183
0	9,355	9,355	Cash and cash equivalents	0	4,158	4,158
48,055	**32,375**	**80,430**	**Total Financial Assets**	**39,993**	**31,463**	**71,456**
			Financial Liabilities			
			Held at amortised cost:			
(1,042,272)	(26,969)	(1,069,241)	Loans outstanding	(698,807)	(18,715)	(717,522)
(1,937)	(505)	(2,442)	Finance leases	(1,938)	0	(1,938)
0	(5,819)	(5,819)	Trade creditors	0	(5,265)	(5,265)
0	(17,204)	(17,204)	Receipts in advance	0	(12,808)	(12,808)
0	(249)	(249)	Bank overdraft	0	(634)	(634)
(1,044,209)	**(50,746)**	**(1,094,955)**	**Total Financial Liabilities**	**(700,745)**	**(37,422)**	**(738,167)**

Financial Instruments - Gains and Losses

The gains and losses recognised the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities	Financial Assets		
2025/26	**Liabilities at Amortised Cost**	**Amortised Cost**	**Elected to FVOCI**	**Total**
	£'000	£'000	£'000	£'000
Interest expense	27,854	0	0	27,854
Fees paid	201	0	0	201
Interest payable and similar charges	**28,055**	**0**	**0**	**28,055**
Interest and investment income	0	(2,778)	0	(2,778)
Dividend income	0	0	0	0
Impairment of loans*	0	(4,725)	0	(4,725)
Gains on de-recognition	0	(6)	0	(6)
Interest and Investment income	**0**	**(7,509)**	**0**	**(7,509)**
Net impact on surplus/ deficit on provision of services	**28,055**	**(7,509)**	**0**	**20,546**
Gains on revaluation	0	0	0	0
Losses on revaluation	0	0	0	0
Impact on Other Comprehensive Income	**0**	**0**	**0**	**0**
Net Gain/ Loss for the Year	**28,055**	**(7,509)**	**0**	**20,546**

** The £4.7m impairment in 2025/26 reflects the fall in value of the assets held by Knowle Green Estates below the value against which the loans are secured (the assets are carried at existing use value in the company's accounts). This is charged to the Finance and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement. However, because the loans were advanced for a capital purpose the impairment is transferred out of the General Fund to the Capital Adjustment Account.*

	Financial Liabilities	Financial Assets		
2024/25	**Liabilities at Amortised Cost**	**Amortised Cost**	**Elected to FVOCI**	**Total**
Interest expense	25,469	0	0	25,469
Fees paid	0	0	0	0
Interest payable and similar charges	**25,469**	**0**	**0**	**25,469**
Interest and investment income	0	(3,123)	0	(3,123)
Dividend income	0	0	(973)	(973)
Impairment of loans	0	0	0	0
Gains on de-recognition	0	0	0	0
Interest and Investment income	**0**	**(3,123)**	**(973)**	**(4,096)**
Net impact on surplus/ deficit on provision of services	**25,469**	**(3,123)**	**(973)**	**21,373**
Gains on revaluation	0	0	0	0
Losses on revaluation	0	0	(251)	0
Impact on Other Comprehensive Income	**0**	**0**	**(251)**	**(251)**
Net Gain/ Loss for the Year	**25,469**	**(3,123)**	**(1,224)**	**21,122**

Note 21 Nature and Extent of Risks Arising from Financial Instruments

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. Risk management is carried out by the treasury team, under policies approved by the Council in the annual treasury management strategy and the annual investment strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risks and the investment of surplus cash in compliance with Government guidance.

Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Council.

The Council manages credit risk by restricting treasury investments to certain institutions including commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty and £10m on secured investments with AAA rated banks and unlimited with UK government. The Council also sets limits on investments in certain sectors. No more than £70m in total can be invested for a period longer than one year.

In response to the Statutory Direction to reduce borrowing and local government reorganisation on 1 April 2027, the investment strategy has been to invest short-term with high quality institutions, thus minimising the risk of credit loss. Consequently, no credit loss is deemed necessary.

Non-statutory (i.e. trade debtors, investment property debtors and loans to subsidiaries) are treated as financial instruments.

The maximum single commercial exposure is the £45m of loans advanced to Knowle Green Estates Ltd, the Council's wholly owned subsidiary. The loans are secured on the assets of the company. However, the value of those assets has fallen below the balance of the loans outstanding, and an impairment loss has been recognised for £4.7m.

The table below summarises the credit risk exposure of the Council's treasury management portfolio by credit rating and remaining time to maturity:

31 March 2025				31 March 2026		
Fair Value through Profit & Loss	Amortised Cost	Total		Fair Value through Profit & Loss	Amortised Cost	Total
£'000	£'000	£’000	**Credit Rating**	£'000	£'000	£’000
2,966	13,696	16,662	AAA	0	19,512	19,512
0	63,768	63,758	Not applicable	0	50,600	50,600
2,966	**77,464**	**80,430**	**Total**	**0**	**70,112**	**70,112**

Amounts arising from expected credit losses re non-statutory debtors

Impairment allowances have been calculated using the lifetime credit losses basis. Impairment allowances for have all been calculated on a group basis based on historical payment experience, except for loans advanced to subsidiaries where the allowance has been calculated on an individual debtor basis.

The total credit loss at 31 March 2026 was £6.044m (31 March 2025 £2.477m) The principal reason for this movement was recognising an impairment for the loans advanced to Knowle Green Estates arising from a fall in the value of the assets against the carrying value of the loans advanced.

Loss allowance for assets at amortised cost

2025/26	Long-term debtors	Trade debtors	Total
	£’000	£’000	£’000
Balance at 1 April	0	(2,477)	(2,477)
Amounts written off	0	1,033	1,033
(Increase)/Decrease in loss allowance	(4,725)	125	(4,600)
Balance at 31 March	**(4,725)**	**(1,319)**	**(6,044)**

2024/25	Long-term debtors	Trade debtors	Total
	£'000	£'000	£'000
Balance at 1 April	0	(1,631)	(1,631)
Amounts written off	0	29	29
(Increase)/Decrease in loss allowance	0	(875)	(875)
Balance at 31 March	**0**	**(2,477)**	**(2,477)**

Liquidity Risk

The Council has a comprehensive cashflow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council is operating under a "strict debt reduction" policy required by the Government's Statutory Direction imposed in May 2025. To comply with this, the Council restructured £905m of PWLB borrowing in November 2025 realising £342m of discount and fixed the maturity of the replacement debt to match the anticipated capital receipts from the Council's asset disposal plan. The maturity analysis of liabilities is shown below.

	2024/25	2025/26
	£'000	£'000
Less than one year	44,836	32,057
Between 1 and 2 years	13,985	140,212
Between 2 and 5 years	43,944	61,781
Between 5 and 10 years	82,596	340,196
Between 11 and 20 years	213,660	163,273
Between 21 and 30 years	269,782	0
Between 31 and 40 years	308,723	0
Between 41 and 50 years	117,168	0
More than fifty years	12	12
Total	**1,094,796**	**737,531**

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

Interest Rate Risk

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

- borrowings at variable rates – the interest expense to the Comprehensive Income and Expenditure Statement will rise
- borrowings at fixed rates – the fair value of the liabilities borrowing will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Comprehensive Income and Expenditure Statement. The Council's borrowing strategy has been to fix interest rates for the next 10 years in order to minimise the risk of interest rate volatility on the Council's borrowing. The Council does not hold any fixed rate investments with a quoted market price and so is not exposed to interest rate volatility which would otherwise be reflected in Other Comprehensive Income and Expenditure.

When the Council restructured £905m of PWLB debt in November 2025, the replacement debt was all at fixed rates to minimise future interest rate risk. If capital receipts from the asset disposal programme exceed expectations, then the Councill will consider further premature debt redemption to minimise future interest expense.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget regularly during the year. This allows any adverse changes to be accommodated which could impact on the return expected from the Council's short-term investments, which is primarily short-term lending to other local authorities.

As a result of the above strategy the Council minimised its exposure to interest rate risk to minimal levels.

Price Risk

The Council has equity in its two subsidiary companies but as these are not traded, and the Council consolidates the results of Knowle Green Estates Ltd into its Group Accounts on the grounds of materiality, they are not carried a fair value, and the Council is not exposed to any price risk.

Foreign Exchange Risk

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

Note 22 Debtors

	2024/25		2025/26	
	Long Term	Short Term	Long Term	Short Term
	£'000	£'000	£'000	£'000
Trade receivables	0	14,974	0	10,190
Local Taxation:				
Council Tax	0	986	0	775
Business Rates	0	1,485	0	948
Prepayments	0	1,194	0	2,163
Housing Benefits overpayments	0	2,126	0	2,048
Other Receivable Amounts	45,089	2,738	44,718	1,256
Gross Debtors	**45,089**	**23,506**	**44,718**	**17,380**
Less Provision for Bad debts				
Trade receivables	0	(2,477)	(4,725)	(1,319)
Council Tax	0	(211)	0	(457)
Business Rates	0	(437)	0	(359)
Housing Benefits Overpayments	0	(1,965)	0	(1,877)
Total Expected Credit Loss Allowance	**0**	**(5,090)**	**(4,725)**	**(4,012)**
Total	**45,089**	**18,416**	**39,993**	**13,368**

Note 23 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following amounts:

	2024/25	2025/26
	£'000	£'000
Cash held by the Authority	1	1
Bank current accounts	0	0
Short term deposits	9,354	4,157
Total	**9,355**	**4,158**
Bank overdraft	(249)	(634)
Total	**9,106**	**3,524**

The Council's cash and cash equivalents include the overdraft on the Council's general fund bank account which forms an integral part of the Council's cash management arrangements.

Note 24 Assets Held for Sale

During 2024/25 the Council re-classified three properties as Assets held for Sale. This followed a formal decision to dispose of the assets, marketing the assets in April 2025 with the aim to sell the assets within 12 months. The properties concerned were: Ashford Hospital Victory Place, Thameside House and Summit Centre. During the 2025/26 closedown process the classification of all assets was reviewed which concluded that the Summit Centre had been incorrectly classified as an operational asset prior to transfer into Assets Held for Sale. Instead, it should have been classified as an Investment Property as the operational element of the asset was not significant. Investment Property fall outside the scope of IFRS5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, the 2024/25 Transfer from Property, Plant and Equipment has been reduced by £15m from £17.090m to £2.090m to reflect the reclassification of the asset.

	2024/25 Restated	2025/26
	£'000	£'000
Balance at 1 April	0	2,044
Assets newly classified as held for sale		
Transfer from Property, Plant & Equipment	2,090	8,633
Other Movement	(46)	2,735
Balance at 31 March	**2,044**	**13,412**

Note 25 Short Term Creditors

	2024/25	2025/26
	£'000	£'000
Trade Payables	(5,819)	(5,392)
Other Payables	(3,129)	(3,256)
Local Taxation:		
Council Tax	(11,035)	(4,945)
Business Rates - MHCLG	(2,631)	(4,743)
Business Rates – Surrey County Council	(582)	(975)
Total	**(23,196)**	**(19,311)**
Receipts in advance:		
Local Taxation	(1,393)	(1,661)
Rents received in advance	(12,325)	(11,815)
Other	(4,879)	(994)
Deposits	(3,050)	(2,730)
Grants received in advance	0	(205)
Total	**(44,843)**	**(36,716)**

Note 26 Leases

Council as Lessee

Right-of use assets are listed in Note 17 that provides information provides information on the assets recognised on the Council's Balance Sheet for the rights the Council has secured to use items over their respective lease terms.

Lease liabilities as at 31 March 2026

	2024/25			2025/26		
	Long Term	Short Term	Total	Long Term	Short Term	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Land and property	22	3	25	34	2	36
Vehicles	1,915	502	2,417	1,427	475	1,902
Total	**1,937**	**505**	**2,442**	**1,461**	**477**	**1,938**

Transactions under leases

The Council incurred the following expenses and cash flows in relation to leases:

	2024/25	2025/26
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Interest expense on lease liabilities	130	108
Expense relating to short-term leases	12	0
Expense relating to exempt leases of low-value items	8	4
Total	**150**	**112**
Cash Flow Statement	**2024/25**	**2025/26**
Total cash outflows for leases	**628**	**616**

Maturity analysis of lease liabilities

The lease liabilities, measured at the undiscounted amounts of expected cash payments, are due to be settled over the following time bands:

	2024/25			2025/26		
	Land & Property	Vehicles	Total	Land & Property	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	3	502	505	2	475	477
One to five years	3	1,753	1,756	4	1,424	1,428
More than five years	19	162	181	30	3	33
Total	**25**	**2,417**	**2,422**	**36**	**1,902**	**1,938**

Council as Lessor

Operating leases

The Council holds a number of investment properties (see Note 18) that are leased commercially to various tenants. The future minimum lease payments receivable are as follows

	2024/25	2025/26
	£'000	£'000
Less than one year	47,193	47,613
One to five years	146,944	128,882
More than five years	150,299	110,169
Total undiscounted liabilities	**344,436**	**286,664**

Note 27 Capital Expenditure and Financing

The net movement in the Capital Financing Requirement (CFR) measures the Council's need to borrow in order to fund capital investment.

	2024/25	2025/26
	£'000	£'000
Opening Capital Financing Requirement	**1,151,202**	**1,163,880**
Restatement of opening balance		22,511
Restated Opening Balance		**1,186,391**
Capital Investment:		
Property, Plant and Equipment	9,883	3,768
LAHF Properties	21,449	0
Investment properties	0	124
Intangible Assets	222	257
Revenue Expenditure funded from Capital under Statue	1,564	1,662
Total	**33,118**	**5,811**
Sources of Finance:		
Capital Receipts	0	(9,631)
Capital Grants and Other Contributions	(815)	(2,694)
Sums set aside from revenue:		
Direct revenue contributions	(357)	(598)
MRP/loans fund principal	(19,268)	(59,627)
Total	**(20,440)**	**(72,471)**
Closing Capital Financing Requirement	**1,163,880**	**1,119,652**
Explanation of movements in year:		
Restatement of opening balance of the CFR	0	22,511
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	12,644	(66,660)
Assets acquired under finance lease	34	0
Increase/(decrease) in Capital Financing Requirement	**12,678**	**(44,149)**

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Note 28 Provisions

During 2025-26, as part of ongoing negotiations regarding the sale of one of the Council's properties, the Council has made provision to refund a commercial tenant's rent income received during the year.

Short term provisions	Tenancy Provision	Total
	£'000	£'000
Balance at 1 April	0	0
Additional provisions made	(304)	(304)
Amounts used	0	0
Unused amounts reversed	0	0
Balance at 31 March	**(304)**	**(304)**

Long term provisions	Municipal Mutual Insurance	Business Rate Appeals	Total
	£'000	£'000	£'000
Balance at 1 April	(45)	(2,111)	(2,156)
Additional provisions made	0	(1,782)	(1,782)
Amounts used	0	3,317	3,317
Unused amounts reversed	0	0	0
Balance at 31 March	**(45)**	**(576)**	**(621)**

Municipal Mutual Insurance

The insurance provision includes amounts in relation to Municipal Mutual Insurance. In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI) made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a clawback clause will be triggered, which can affect claims already paid. The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at the time.

Business Rates Appeals

The provision reflects the estimate of the amount of Business Rates to be repaid to ratepayers, following any future successful appeals against rateable values.

Note 29 Defined Benefit Pension Schemes

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 needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Surrey County Council. This is a funded defined benefit final salary scheme (from 2014 this was based on career average revalued earnings), meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, 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.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme, and the governance of the scheme is the responsibility of the pensions committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations.

In general participating in a defined benefit pension scheme means that the Council is exposed to several risks:

- Investment risk – the Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk – the Fund's liabilities are assessed using market yields based on high quality corporate bonds to discount the liabilities. As the Fund holds assets, such as equities, the value of the assets and the liabilities may not move in the same way.
- Inflation rate risk - all the benefits under the Fund are linked to inflation, and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk - if the members live longer than assumed, a deficit will emerge in the Fund. There are also some other demographic risks, but longevity is the main demographic risk.

In addition, as many unrelated employers participate in the Surrey Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that any shortfall may fall on the remaining employers.

All of these risks may also benefit the Council (e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually are inherited by the remaining employers). However, these risks are also mitigated, to a certain extent, by the statutory requirement to charge the amount required by statute as described in Note 1 (vi) at page 31.

Discretionary post-retirement benefits

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

Transactions relating to post-employment benefits

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 post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	2024/25				2025/26	
Funded	Unfunded	Total		Funded	Unfunded	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Comprehensive Income and Expenditure Statement			
			Cost of Services:			
3,264	0	3,264	Current service cost	2,391	0	2,391
0	0	0	Past service cost	21	0	21
0	0	0	Settlements & Curtailments	0	0	0
			Financing and Investment Income and Expenditure			
276	0	276	Net interest cost	558	0	558
0	0	0	Administration expenses	0	0	0
3,540	**0**	**3,540**	**Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**2,970**	**0**	**2,970**
			Remeasurement of the net pensions liability charged to the Comprehensive Income and Expenditure Statement			
10	0	10	Return on plan assets (excluding net interest expense)	(8,549)	0	(8,549)
(207)	0	(207)	Actuarial (gains) and losses arising on changes in demographic assumptions	(2,160)	0	(2,160)

(17,710)	(12)	(17,722)	Actuarial (gains) and losses arising on changes in financial assumptions	(3,115)	13	(3,102)
(1,201)	0	(1,201)	Other	5,402	0	5,402
23,968	0	23,968	Change in the effect of the asset ceiling	15,840	0	15,840
4,860	**(12)**	**4,848**	**Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure**	**7,418**	**13**	**7,431**
8,400	**(12)**	**8,388**	**Total Post Employment Charged to Comprehensive Income and Expenditure Statement**	**10,388**	**13**	**10,401**
			Movement in Reserves Statement			
(3,540)	0	(3,540)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(2,970)	0	(2,970)
			Actual amount charged against the General Fund Balance			
3,883	195	4,078	Employers' contributions payable to scheme	3,880	183	4,063

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2024/25				**2025/26**	
Funded	Unfunded	Total		Funded	Unfunded	Total
£'000	£'000	£'000		£'000	£'000	£'000
(101,731)	(1,687)	(103,418)	Present value of the defined benefit obligation	(107,209)	(1,517)	(108,726)
116,925	0	116,925	Fair value of plan assets	133,124	0	133,124
15,194	**(1,687)**	**13,507**	**Sub-total**	**25,915**	**(1,517)**	**24,398**
(23,968)	0	(23,968)	Impact of the asset ceiling	(41,197)	0	(41,197)
(8,774)	**(1,687)**	**(10,461)**	**Net liability arising from defined benefit obligation**	**(15,282)**	**(1,517)**	**(16,799)**

The Scheme actuaries have assessed the Council's estimated future service costs less the estinmated minmium funding requirement contributions to estbalish the economic benefit available to the Council. The net pensions asset has therefore been adjusted by the effect of the asset ceiling.

The effect of the asset ceiling has been determined by the Scheme's actuary on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions. This is because the minimum funding requirement imposed on it by the Funding Strategy for the Scheme in place as at 31 March 2026.

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

Scheme Liabilities

The following table provides a reconciliation of the present value of scheme liabilities:

2024/25				2025/26		
Funded	Unfunded	Total		Funded	Unfunded	Total
£’000	£’000	£’000		£’000	£’000	£’000
(115,829)	(1,894)	(117,723)	**Balance as at 1 April**	(101,731)	(1,687)	(103,418)
(3,264)	0	(3,264)	Current service cost	(2,391)	0	(2,391)
(5,628)	0	(5,628)	Interest cost	(5,954)	0	(5,954)
(1,062)	0	(1,062)	Contributions from scheme participants	(1,056)	0	(1,056)
			Remeasurement gain/(losses) arising from:			
207	0	207	- Changes in demographic assumptions	2,160	0	2,160
17,710	12	17,722	- Changes in financial assumptions	3,115	(13)	3,102
1,201	0	1,201	- Other	(6,165)	0	(6,165)
0	0	0	Past service cost	(21)	0	(21)
0	0	0	Loss on curtailments/settlements	0	0	0
0	0	0	Liabilities assumed on entity combinations	0	0	0
4,934	195	5,129	Benefits paid	4,834	183	5,017
0	0	0	Liabilities extinguished on settlements	0	0	0
(101,731)	**(1,687)**	**(103,418)**	**Balance as at 31 March**	**(107,209)**	**(1,517)**	**(108,726)**

Scheme Assets

The following table provides a reconciliation of the fair value of the scheme assets:

2024/25				2025/26		
Funded	Unfunded	Total		Funded	Unfunded	Total
£'000	£'000	£'000		£'000	£'000	£'000
111,572	0	111,572	**Balance as at 1 April**	116,925	0	116,925
5,352	0	5,352	Interest income	6,785	0	6,785
0	0	0	Remeasurement gain/(loss)	0	0	0
(10)	0	(10)	- The return on plan assets, excl. amount included in net interest expense	8,549	0	8,549
0	0	0	- Other (if applicable)	763	0	763
0	0	0	The effect of changes in foreign exchange rates	0	0	0
3,883	195	4,078	Contributions from employer	3,880	183	4,063
1,062	0	1,062	Contributions by employees into the scheme	1,056	0	1,056
(4,934)	(195)	(5,129)	Net benefits paid out	(4,834)	(183)	(5,017)
116,925	**0**	**116,925**	**Balance as at 31 March**	**133,124**	**0**	**133,124**

Asset ceiling

The following table provides a reconciliation of the movement on the asset ceiling:

2024/25				2025/26		
Funded	Unfunded	Total		Funded	Unfunded	Total
£'000	£'000	£'000		£'000	£'000	£'000
0	0	0	**Balance as at 1 April**	(23,968)	0	(23,968)
0	0	0	Interest on the asset ceiling	(1,389)	0	(1,389)
0	0	0	Changes in the effect of liability	(15,840)	0	(15,840)
(23,968)	0	(23,968)	Additional liability	0	0	0
(23,968)	**0**	**(23,968)**	**Balance as at 31 March**	**(41,197)**	**0**	**(41,197)**

Local Government Pension Scheme assets comprised:

2024/25				2025/26		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
£'000	£'000	£'000		£'000	£'000	£'000
8,756	0	8,756	Equities	9,969	0	9,969
0	0	0	Private equity	0	0	0
			Pooled funds:			
64,496	0	64,496	Equities	73,431	0	73,431
17,176	0	17,176	Bonds	19,556	0	19,556
1,582	22,017	23,599	Pooled Property Funds	1,801	25,067	26,868
436	0	436	Derivatives	497	0	497
2,462	0	2,462	Cash & cash equivalents	2,803	0	2,803
94,908	**22,017**	**116,925**	**Total Assets**	**108,057**	**25,067**	**133,124**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that are payable in future years dependant on assumptions about mortality rates, salary levels etc.

The Local Government Pension Scheme and discretionary liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Surrey Pension Fund which the Council is a member of, being based on the latest full valuation of the scheme as at 31 March 2026. For estimating liabilities, the actuary has selected iBOXX Sterling Non-Gilt Index, one of the five main sterling corporate indices, to determine the discount rate to place a value on the fund’s liabilities.

The principal assumptions used by the actuary have been:

Principal assumptions	2024/25	2025/26
Rate of inflation - CPI	2.80%	3.00%
Rate of increase in salaries	3.80%	4.00%
Rate of increase in pensions	2.80%	3.00%
Discount rate	5.80%	6.20%
Mortality assumptions for members retiring in normal health:		
Longevity at 65 for current pensioners:		
Men	21.7 years	22.3 years
Women	24.5 years	25.0 years
Longevity at 65 for future pensioners:		
Men	22.3 years	22.8 years
Women	25.8 years	26.1 years

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 decrease for men and woman. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Approximate increase in Defined Benefit obligation 2024/25		Change in assumptions at 31 March:	Approximate increase in Defined Benefit obligation 2025/26	
%	£'000		%	£'000
2%	1,659	0.1% decrease in Real Discount Rate	1%	1,518
4%	4,137	1 year increase in member life expectancy	4%	4,349
0%	76	0.1% increase in the salary increase rate	0%	66
2%	1,628	0.1 % increase in pensions increase rate (CPI)	1%	1,451

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The most recent triennial valuation was carried out at 31 March 2025, with new rates applying from April 2026.

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 services 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 to certain public servants.

The Council anticipates paying £3.375m expected contributions to the scheme in 2026/27 (2024/25: £3.880m).

The weighted average duration of the defined benefit obligation for scheme members is 14 years for 2025/26 (2024/25: 16 years).

Note 30 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2024/25		2025/26
£'000		£'000
(2,093)	Interest received	(2,778)
25,648	Interest paid	27,854
(1,323)	Dividends received	(80)

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

2024/25		2025/26
£'000		£'000
(1,981)	Depreciation and amortisation	(2,678)
(63,203)	Impairment and downward revaluations	(90,986)
5,873	Increase/decrease in provision for bad debts	2,308
172	Increase/decrease in creditors	3,979
10,839	Increase/decrease in debtors	(5,048)
6	Increase/decrease in inventories	14
538	Movement in pension liability	1,093
(439)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	0
(1,595)	Other non-cash items charged to the net surplus or deficit on the provision of services	349,356
(49,789)	**Total**	**258,038**

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

2024/25		2025/26
£'000		£'000
(368)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,242)
(12,433)	Any other items for which the cash effects are investing or financing cash flows	(3,010)
(12,801)		**(9,252)**

Note 31 Cash Flow Statement – Investing Activities

2024/25		2025/26
£'000		£'000
31,554	Purchase of property, plant and equipment, investment property and intangible assets	3,768
567,175	Purchase of short-term and long-term investments	520,063
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,242)
(588,360)	Proceeds from short-term and long-term investments	(516,236)
(12,433)	Other receipts from investing activities	(3,010)
(2,065)	**Net Cash Flows from Investing Activities**	**(1,657)**

Note 32 Cash Flow Statement – Financing Activities

2024/25		2025/26
£'000		£'000
(51,347)	Cash receipts of short- and long-term borrowing	(574,675)
150	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance-sheet PFI contracts	112
70,340	Repayments of short- and long-term borrowing	585,542
19,143	**Net Cash Flows from Financing Activities**	**10,979**

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Note 33 Related Parties

The Council is required to disclose any material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, providing a significant amount of funding in the form of grants and it prescribes the terms of many of the transactions the Council has with other parties (e.g. Council Tax, housing benefits). Details of balances with government departments are set out in notes 22 (Debtors) and 25 (Short Term Creditors) above and details of cash received from government grants is set out in note 13 above.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances is reported at Note 11.
The following Members held positions of control or significant influence in related parties to the Council during 2025/26:

Councillor Michelle Arnold is Secretary of the Ashford Youth and Community Centre. The charity protects the current youth service and work with local community groups to grow the offer to both young people and the community. The Council spent £70,037 with the Ashford Youth and Community Centre in 2025/26.

Councillor Simon Bhadye is a trustee of Staines Shopmobility. The charity enables people with limited mobility to more easily access shops and other services in Staines town centre. The Council provided the charity with the grant of £12,000 in 2025/26.

Further details are recorded in the Register of Member's Declarations of Interest, which can be found on the Council's website.

Entities controlled or significantly influenced by the Council in 2025/26

Name	Nature of Council Relationship	Profit/(Loss) for period	Net Assets/Liabilities	Expenditure transactions with the Council	Income transactions with the Council	Balances owed to/(from) the Council
		£'000	£'000	£'000	£'000	£'000
Knowle Green Estates Ltd	Wholly owned subsidiary	(7,758)	9,754	239	1,503	44,892
Spelthorne Direct Services Ltd	Wholly owned subsidiary	16	88	8	193	253
The Post House Ltd	Wholly owned subsidiary	0	0	0	0	0

The following officers and members hold positions on boards of entities controlled or significantly influenced by the Council:

Knowle Green Estates Ltd – Coralie Holman (Group Head of Assets, resigned on 21 January 2026) and Councillor Lawrence Nichols.
Spelthorne Direct Services – Jackie Taylor (Group Head of Neighbourhood Services) and Councillor Paul N Woodward.
The Post House – Terry Collier (Chief Financial Officer, resigned on 10 June 2025), Coralie Holman (Group Head of Assets) and Linda Heron (Group Head of Corporate Governance).

Transactions relating to Senior Officers

The Senior Officers (compromising of the Chief Executive, Deputy Chief Executive, Chief Financial Officer, Deputy Chief Financial Officer and six Group Heads of Services) were requested to complete a declaration in respect of themselves and any close member of their family as to whether there was a relationship which required a related party disclosure. There were no transactions between Senior Officers of the Council and the Council and its related parties, other than the receipt of remuneration due as employees of the Council.

The Chief Financial Officer declared that he is a trustee of Staines Shopmobility and Mayor's Charity.

Transactions with other local authorities

The Council has significant transactions with both Surrey County Council and Surrey Police, and these are included in the Collection Fund. During 2025/26, the Council paid £74.999m to Surrey County Council and £13.712m to Surrey Police in precept.

Note 34 Contingent Liabilities

At 31 March 2026, the Council had two contingent liabilities:

- A claim for disability discrimination is being re-considered to be heard by the Employment Appeals Tribunal, following its dismissal at an earlier pre-hearing.

- Municipal Mutual Insurance Limited (MMI Ltd) - prior to 1992, the Council's public liability and employers' liability insurance were supplied by MMI Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Arrangement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. A court ruling in relation to employers' liability for occupational disease claims such as asbestosis has adversely affected the financial position of MMI Ltd to the extent that the Scheme of Arrangement has been triggered. The initial levy rate has been set at 15%. The Council is advised to continue to reserve for an additional 10% on top of the current 25% clawback in order to meet any future claim payments. (Please see Provisions, Note 28).

Note 35 Fair Value of Assets and Liabilities

Basis of valuation

The basis of valuation of each class of asset and liability measured at fair value is shown below. There has been no change in the valuation techniques used during the year. All assets and liabilities have been valued using fair value techniques based on the characteristics of each instruments, with overall objective of maximising the use of market-based information.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values:

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets of liabilities.

Level 2 - where quoted prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The valuation basis for each category of asset or liability, for which a fair value disclosure is required, is set out below.

Description	Valuation Hierarchy	Basis of Valuation		Key sensitivities
Cash and Cash equivalents, bank overdraft	Level 1	Nominal value at sterling as at balance sheet date	N/A	N/A
Trade debtors and trade creditors	Level 1	Invoiced or billed amount	N/A	N/A
Short term borrowing	Level 1	As above	N/A	N/A
Long-term debtors	Level 2	Calculated as the present value of future cash flows expected to take place over the remaining life of the financial instrument	Calculations are based on the new PWLB loan rates available during 2025/26	N/A
Cash based investments	Level 2	Nominal value in sterling as at the balance sheet date	Prevailing market rates	N/A

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Surplus assets and Assets held for Sale	Level 2	Annual assessment by qualified valuer using the approach set out in the RICS Red Book	Capital values based on existing floor/land areas or using a residual valuation approach based on development plans, where available	N/A
Long term borrowing	Level 2	Calculated as the net present value of future cash flows expected to take place over the remaining life of the financial instrument	Calculations are based on the new PWLB loan rates available during 2025/26	N/A
Lease liabilities	Level 2	As above	As above	N/A
Investment property	Level 2	Annual assessment by qualified valuer using the approach set out in the RICS Red Book	Values based on comparable investment and rental transactions, evidence of demand in the area and assumptions including lease terms and covenant	N/A
Surplus assets	Level 3	Annual assessment by qualified valuer using the approach set out in the RICS Red Book	Estimated Revenue Streams, constructions costs and profit margins	N/A

Fair value of hierarchy

The following table provides an analysis of the financial assets and liabilities of the Council grouped into levels 1 to 3, based on the level at which the fair value is observable.

2025/26	Financial and non-financial assets			Financial liabilities			Fair Value			
	Fair Value through Profit & Loss	Fair Value through OCI	Assets at amortised cost	Liabilities at amortised cost	Liabilities at FVOCI	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets										
Assets at FVOCI:										
Strategic pooled funds	0	0	0	0	0	0	0	0	0	0
Assets at amortised cost:										
Long-term loans to companies	0	0	39,993	0	0	39,993	0	0	32,899	32,889
Short-term investments	0	0	13,059	0	0	13,059	13,059	0	0	13,059
Money market funds	0	0	4,056	0	0	4,056	4,056	0	0	4,056
Trade debtors	0	0	10,190	0	0	10,190	10,190	0	0	10,190
Cash and cash equivalents	0	0	4,158	0	0	4,158	4,158	0	0	4,158
Total financial assets	**0**	**0**	**71,455**	**0**	**0**	**71,455**	**31,462**	**0**	**32,899**	**64,362**
Non-financial assets										
Investment property	526,057	0	0	0	0	526,057	0	0	526,057	526,057
Surplus assets*	3,285	0	0	0	0	3,285	0	3,285	0	3,285
Assets held for sale	13,412	0	0	0	0	13,412	0	13,412	0	13,412
Total financial and non-financial assets	**542,754**	**0**	**71,455**	**0**	**0**	**614,209**	**31,462**	**16,697**	**558,956**	**607,116**
Financial Liabilities										
Financial liabilities at amortised cost:										
PWLB Borrowing	0	0	0	(717,521)	0	(717,521)	0	(728,715)	0	(728,715)
Lease liabilities	0	0	0	(1,938)	0	(1,938)	0	0	(1,972)	(1,972)
Trade creditors	0	0	0	(5,265)	0	(5,265)	(5,265)	0	0	(5,265)
Receipts in advance	0	0	0	(12,808)	0	(12,808)	(12,808)	0	0	(12,808)
Bank overdraft	0	0	0	(634)	0	(634)	(634)	0	0	(634)
Total liabilities	**0**	**0**	**0**	**(738,166)**	**0**	**(738,166)**	**(18,707)**	**(728,715)**	**(1,972)**	**(749,394)**

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2024/25	Financial and non-financial assets			Financial liabilities		Fair Value				
	Fair Value through Profit & Loss	Fair Value through OCI	Assets at amortised cost	Liabilities at amortised cost	Liabilities at FVOCI	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets										
Assets at FVOCI:										
Strategic pooled funds	0	2,966	0	0	0	2,966	0	2,966	0	2,966
Assets at amortised cost:										
Long-term loans to companies	0	0	45,089	0	0	45,089	0	0	39,332	39,332
Short-term investments	0	0	3,735	0	0	3,735	3,735	0	0	3,735
Money market funds	0	0	4,311	0	0	4,311	4,311	0	0	4,311
Trade debtors	0	0	14,974	0	0	14,974	14,974	0	0	14,974
Cash and cash equivalents	0	0	9,355	0	0	9,355	9,355	0	0	9,355
Total financial assets	**0**	**2,966**	**77,464**	**0**	**0**	**80,430**	**32,375**	**2,966**	**39,332**	**74,673**
Non-financial assets										
Investment property	624,306	0	0	0	0	624,306	0	0	624,306	624,306
Surplus assets*	2,658	0	0	0	0	2,658	0	0	2,658	2,658
Assets held for sale	2,044	0	0	0	0	2,044	0	0	2,044	2,044
Total financial and non-financial assets	**629,008**	**2,966**	**77,464**	**0**	**0**	**709,438**	**32,375**	**2,966**	**668,340**	**703,681**
Financial Liabilities										
Financial liabilities at amortised cost:										
PWLB Borrowing	0	0	0	(1,069,241)	0	(1,069,241)	0	(711,154)	0	(711,154)
Lease liabilities	0	0	0	(2,442)	0	(2,442)	0	0	(2,560)	(2,560)
Trade creditors	0	0	0	(5,819)	0	(5,819)	(5,819)	0	0	(5,819)
Receipts in advance	0	0	0	(17,204)	0	(17,204)	(17,204)	0	0	(17,204)
Bank overdraft	0	0	0	(249)	0	(249)	(249)	0	0	(249)
Total liabilities	**0**	**0**	**0**	**(1,094,955)**	**0**	**(1,094,955)**	**(23,272)**	**(711,154)**	**(2,560)**	**(736,986)**

** When the assets previously classified as Assets under Construction were reclassified as Surplus Assets in 2024/25, they were reported at Existing Use Value rather than Fair Value. They have been valued at Fair Value in 2025/26.*

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 during the year.

Sensitivity analysis of fair values within Level 3

Having consulted with the Council's independent property valuers, the Council has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of assets held at 31 March 2026:

	Fair Value at 31 March 2026	Assessed valuation range		Value on increase	Value on decrease
	£’000	+	-	£’000	£’000
Investment property	526,057	5%	-5%	552,360	499,754
Surplus assets	3,285	5%	-5%	3,449	3,121
Assets held for sale	13,412	5%	-5%	14,083	12,741
Total	**542,754**			**569,892**	**515,616**

	Fair Value at 31 March 2025	Assessed valuation range		Value on increase	Value on decrease
	£’000	+	-	£’000	£’000
Investment property	624,306	5%	-5%	655,521	593,091
Surplus assets	0	5%	-5%	0	0
Assets held for sale	0	5%	-5%	0	0
Total	**624,306**			**655,521**	**593,091**

Reconciliation of fair values within Level 3

	Fair Value at 31 March 2025	Transfers into Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Fair Value at 31 March 2026
	£'000	£'000	£'000	£'000			
Investment property	624,306	0	0	(5,000)	(93,249)	0	526,057
Surplus assets	0	3,285	0	0	(2,658)	0	3,285
Assets held for sale	0	13,412	0	0	2,826	0	13,412
Total	**629,008**	**16,697**	**0**	**(5,000)**	**(93,249)**	**0**	**542,754**

Unrealised gains and losses on investment assets are recognised within the Finance and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

	Fair Value at 31 March 2024	Transfers into Level 3	Purchases	Sales	Unrealised gains and losses	Realised gains and losses	Fair Value at 31 March 2025
	£'000	£'000	£'000	£'000			
Investment property	613,365	0	0	0	10,941	0	624,306
Surplus assets	0	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0	0
Total	**648,568**	**0**	**0**	**0**	**10,941**	**0**	**624,306**

Unrealised gains and losses on investment assets are recognised within the Finance and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Explanation:

Para 2.10.4.1 e) of the Code only requires the reconciliation of assets or liabilities which are carried at fair value on the balance sheet to be shown in the Level 3 reconciliation table. Hence the loans to companies are excluded because they are carried at amortised cost.

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Note 36 Events After Reporting Date

The draft Statement of Accounts was authorised for issue by the Chief Finance Officer and Deputy Chief Executive on 4 September 2026. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing on 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Asset Rationalisation: The Council has appointed Knight Frank to advise on an investment asset rationalisation programme. In May 2026 the Council began marketing its first batch of investment assets for disposal, the assets being marketed include Summit Centre the disposal of which did not happen in 2025/26 as anticipated. The Council is looking to generate at least £170m, in 2016/27, as capital receipts from these disposals which will be applied to reduce the Capital Financing Requirement and reduce Minimum Revenue Provision for West Surrey Council in 2027/28. In parallel, the Council is exploring a range of options for the BP Sunbury campus site in response to the announcement of BP to seek to move off the site by 2028.

Note 37 Prior Period Adjustments

During the preparation of the 2025/26 Statement of Accounts the Council identified the following issues requiring restatement of 2024/25 and 2023/24:

1. When assets were transferred to the Council's subsidiary company, Knowle Green Estates Ltd (KGE) by way of a £4.705m loan to the company in 2018/19, the Council recognised a long-term debtor to mirror the transfer of the assets. At the same time a deferred capital receipt was recognised to reflect that assets were transferred via a loan, of which the principal repayments would then be capital receipts, but only for £3.725m - an understatement of £0.980m. The adjustment is to recognise the understated deferred capital receipt.

2. The Council transferred further assets to KGE in 2023/24 of £2.437m and in 2024/25 of £11.266m. Whilst a long-term debtor was recognised to mirror the transfer of the asset, a deferred capital receipt should have been recognised to reflect that the assets were transferred via a loan, of which the principal repayments would then be capital receipts. The adjustment is to recognise a deferred capital receipt.

3. A detailed review of the Council's fixed asset register identified that two properties had been mis-classified as operational assets and should have been classified as investment property. Elmsleigh Shopping Centre had been included in Other Land and Building at a net book value of £26.098m and the Summit Centre at a net book value of £12m. In 2024/25 the Summit Centre was revalued to £15m and reclassified to Assets held for Sale. The adjustments are to:

   a) transfer the assets from Other Land and Building to Investment Property at £39.850m and write back the cumulative depreciation of £1.752m on the Shopping Centre from the Capital Adjustment Account at 1 April 2024.

   b) in 2024/25 to transfer the £3m revaluation gain on the Summit Centre from the Revaluation Reserve to the Capital Adjustment Account and reclassify the asset from Assets held for Sale to Investment Property and write back the depreciation charge of £0.858m on the Shopping Centre from the Capital Adjustment Account to Property Plant and Equipment, and to recognise the £0.6m revaluation gain omitted in 2024/25.

The restatements are summarised below.

Effect on the Balance Sheet at 1 April 2024

Effect on the Balance Sheet at 1 April 2024:	Net Amounts as Originally Stated	PPA 1 - Deferred Receipts for Loans Advanced to KGE	PPA 2 - LAHF funded properties transferred to KGE	PPA 3 - Review of Investment Properties	Restated Net Amounts
	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	183,310	0	0	(38,098)	183,310
Heritage Assets	203	0	0	0	203
Investment Property	613,366	0	0	37,600	613,366
Intangible Assets	381	0	0	0	381
Long-term Investments	35,151	0	0	0	35,151
Long-term Receivables	31,114	0	0	0	31,114
Long-term Assets	**863,525**	**0**	**0**	**(498)**	**863,525**
Short-term Investments	384	0	0	0	384
Inventories	20	0	0	0	20
Short-term Receivables	10,287	0	0	0	10,287
Cash & Cash Equivalents	9,814	0	0	0	9,814
Current Assets	**20,505**	**0**	**0**	**0**	**20,505**
Short-term Borrowing	(33,877)	0	0	0	(33,877)
Short-term Payables	(23,367)	0	0	0	(23,367)
Short-term Provisions	(1,234)	0	0	0	(1,234)
Receipts in Advance	(15,627)	0	0	0	(15,627)
Lease Liabilities	(304)	0	0	0	(304)
Current Liabilities	**(74,409)**	**0**	**0**	**0**	**(74,409)**
Long-term Borrowing	(1,054,191)	0	0	0	(1,054,191)
Pension Scheme Liabilities	(6,151)	0	0	0	(6,151)
S106 Liabilities	(621)	0	0	0	(621)
Lease Liabilities	(1,871)	0	0	0	(1,871)
Long-term Liabilities	**(1,062,833)**	**0**	**0**	**0**	**(1,062,833)**
Net Assets/(Net Liabilities)	**(253,212)**	**0**	**0**	**(498)**	**(253,212)**
Usable Reserves	(63,362)	(61)	0	0	(63,423)
Unusable Reserves	316,575	61	0	498	317,134
Total Reserves	**253,213**	**0**	**0**	**498**	**253,711**

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Effect on the Balance Sheet at 31 March 2025:

Effect on the Balance Sheet at 31 March 2025:	Net Amounts as Originally Stated	PPA 1 - Deferred Receipts for Loans Advanced to KGE	PPA 2 - LAHF funded properties transferred to KGE	PPA 3 - Review of Investment Properties	Restated Net Amounts
	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	138,030	0	0	(25,240)	112,790
Heritage Assets	196	0	0	0	196
Investment Property	583,106	0	0	41,200	624,306
Intangible Assets	531	0	0	0	531
Long-term Investments	2,965	0	0	0	2,965
Long-term Receivables	45,089	0	0	0	45,089
Long-term Assets	**769,917**	**0**	**0**	**15,960**	**785,877**
Short-term Investments	8,046	0	0	0	8,046
Assets Held for Sale	17,006	0	0	(14,963)	2,044
Inventories	26	0	0	0	26
Short-term Receivables	18,416	0	0	0	18,416
Cash & Cash Equivalents	9,355	0	0	0	9,355
Current Assets	**52,849**	**0**	**0**	**(14,963)**	**37,887**
Short-term Borrowing	(26,969)	0	0	0	(26,969)
Short-term Payables	(23,445)	0	0	0	(23,445)
Receipts in Advance	(21,647)	0	0	0	(21,647)
Lease Liabilities	(505)	0	0	0	(505)
Current Liabilities	**(72,566)**	**0**	**0**	**0**	**(72,566)**
Long-term Borrowing	(1,042,272)	0	0	0	(1,042,272)
Pension Scheme Liabilities	(10,461)	0	0	0	(10,461)
S106 Liabilities	(417)	0	0	0	(417)
Lease Liabilities	(1,937)	0	0	0	(1,937)
Long-term Liabilities	**(1,057,243)**	**0**	**0**	**0**	**(1,057,243)**
Net Assets/(Net Liabilities)	**(307,043)**	**0**	**0**	**998**	**(306,045)**
Usable Reserves	**(60,146)**	(61)	0	0	**(60,207)**
Unusable Reserves	**367,190**	61	0	(998)	**366,253**
Total Reserves	**307,044**	**0**	**0**	**0**	**306,046**

Effect on the Comprehensive Income and Expenditure Statement (CIES) 2024/25:

2024/25	Net Expenditure as Originally Stated	PPA 1 - Deferred Receipts for Loans Advanced to KGE	PPA 2 - LAHF funded properties transferred to KGE	PPA 3 - Review of Investment Properties	Restated Net Expenditure
	£’000	£’000	£’000	£’000	£’000
Community Wellbeing & Housing	21,889	0	0	0	21,889
Corporate Policy and Resources	12,301	0	0	(858)	11,442
Environment & Sustainability	10,685	0	0	0	10,685
Business Infrastructure - Growth	25,174	0	0	0	25,174
Cost of Services	**23,163**	**0**	**0**	**(858)**	**69,190**
Other Operating Expenditure	(69)	0	0	(38)	(107)
Financing and Investment Income and Expenditure	13,077	0	0	(3,600)	9,476
Taxation and Non-Specific Grant Income	(32,588)	0	0	0	(32,588)
(Surplus) or Deficit on Provision of Services	**50,469**	**0**	**0**	**(4,496)**	**45,971**
(Surplus) or Deficit on revaluation of Property, Plant and Equipment	(1,638)	0	0	3,000	1,362
Remeasurements of the net defined benefit liability/asset	4,848	0	0	0	4,848
(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income	251	0	0	0	251
Other Comprehensive (Income) and Expenditure	3,461	0	0	**3,000**	**6,461**
Total Comprehensive (Income) and Expenditure	**53,930**	**0**	**0**	**(1,496)**	**52,432**

Effect on the Movement in Reserves Statement for 2024/25 – Usable Reserves:

2024/25	Net Amounts as Originally Stated	PPA 1 - Deferred Receipts for Loans Advanced to KGE	PPA 2 - LAHF funded properties transferred to KGE	PPA 3 - Review of Investment Properties	Restated Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2024	**(63,362)**	**(61)**	**0**	**0**	**(63,423)**
(Surplus)/Deficit on provision of services	50,468	0	0	(4,496)	45,971
Other Comprehensive Income and Expenditure	0	0	0	0	0
Total Comprehensive Income and Expenditure	**50,468**	**0**	**0**	**0**	**50,468**
Adjustments between accounting & funding basis under regulations (Note 14)	(47,253)	0	0	4,496	(42,757)
Net (increase)/decrease before Transfers to Earmarked Reserves	**3,215**	**0**	**0**	**0**	**3,215**
Transfer to or from Earmarked Reserves (Note 16)	0	0	0	0	0
(Increase)/Decrease in-year	**3,215**	**0**	**0**	**0**	**3,215**
Balance carried forward 31st March 2025	**(60,147)**	**(61)**	**0**	**0**	**(60,209)**

Effect on the Movement in Reserves Statement for 2024/25 – Unusable Reserves:

2024/25	Net Amounts as Originally Stated	PPA 1 - Deferred Receipts for Loans Advanced to KGE	PPA 2 - LAHF funded properties transferred to KGE	PPA 3 - Review of Investment Properties	Restated Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2024	**316,576**	**457**	**0**	**0**	**317,013**
(Surplus)/Deficit on provision of services	0	0	0	0	45,971
Other Comprehensive Income and Expenditure	3,461	0	0	3,000	6,461
Total Comprehensive Income and Expenditure	**3,461**	**0**	**0**	**3,000**	**6,461**
Adjustments between accounting & funding basis under regulations (Note 14)	47,253	0	0	(4,496)	42,757
Net (increase)/decrease before Transfers to Earmarked Reserves	**50,714**	**0**	**0**	**(1,496)**	**49,219**
Transfer to or from Earmarked Reserves (Note 16)	0	0	0	0	0
(Increase)/Decrease in-year	**50,714**	**0**	**0**	**(1,496)**	**49,219**
Balance carried forward 31st March 2025	**367,290**	**457**	**0**	**(1,496)**	**366,251**

Effect on the Movement in Reserves Statement for 2024/25 – Total Reserves:

2024/25	Net Amounts as Originally Stated	PPA 1 - Deferred Receipts for Loans Advanced to KGE	PPA 2 - LAHF funded properties transferred to KGE	PPA 3 - Review of Investment Properties	Restated Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April 2024	**253,154**	**457**	**0**	**0**	**253,610**
(Surplus)/Deficit on provision of services	50,468	0	0	(4,496)	45,971
Other Comprehensive Income and Expenditure	3,461	0	0	3,000	6,461
Total Comprehensive Income and Expenditure	**53,929**	**0**	**0**	**(1,496)**	**52,432**
Adjustments between accounting & funding basis under regulations (Note 14)	0	0	0	0	0
Net (increase)/decrease before Transfers to Earmarked Reserves	**53,929**	**0**	**0**	**(1,496)**	**52,432**
Transfer to or from Earmarked Reserves (Note 16)	0	0	0	0	0
(Increase)/Decrease in-year	**53,929**	**0**	**0**	**(1,496)**	**52,432**
Balance carried forward 31st March 2025	**307,083**	**457**	**0**	**(1,496)**	**306,043**

Collection Fund Account

Collection Fund Revenue Account

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

Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
2024/25	2024/25	2024/25		2025/26	2025/26	2025/26
£'000	£'000	£'000		£'000	£'000	£'000
			Income			
(3,843)	(2,413)	(6,255)	Prior Year Adjustments	0	0	0
(2,952)	0	(2,952)	Successful Appeals	(2,170)	0	(2,170)
0	(96,066)	(96,066)	Council tax receivable	0	(99,846)	(99,846)
(50,933)	0	(50,933)	Business rates receivable	(54,214)	0	(54,214)
(2,398)	0	(2,398)	Transitional protection	(2,284)	0	(2,284)
			Contribution received based on Deficit/(Surplus)			
(1,462)	153	(1,309)	Spelthorne Borough Council	(2,942)	877	(2,065)
(366)	1,214	848	Surrey County Council	(735)	6,932	6,196
0	239	239	Surrey Police & Crime Commissioner	0	1,275	1,275
(1,828)	0	(1,828)	Central Government	(3,677)	0	(3,677)
(63,782)	**(96,873)**	**(160,655)**	**Total Income**	(66,023)	(90,762)	(156,784)
			Expenditure			
			Demands, precepts and shares			
22,304	8,728	31,031	Spelthorne Borough Council	22,830	9,296	32,126
5,576	69,009	74,585	Surrey County Council	5,707	74,999	80,706
0	12,697	12,697	Surrey Police & Crime Commissioner	0	13,712	13,712
27,880	0	27,880	Central Government	28,537	0	28,537
			Charges to the Collection Fund			
(2,707)	(1,757)	(4,463)	Bad Debt Provision	424	466	889
6,230	0	6,230	Provision for Appeals	(1,667)	0	(1,667)
122	0	122	Cost of Collection	122	0	122

59,405	**88,677**	**148,082**	**Total Expenditure**	55,953	98,473	154,425
(4,378)	**(8,196)**	**(12,575)**	**(Surplus)/Deficit arising during the year**	(10,070)	7,711	(2,359)
9,560	(6,403)	3,157	(Surplus)/Deficit brought forward	5,182	(14,599)	(9,417)
(4,378)	(8,196)	(12,575)	(Surplus)/Deficit arising during the year	(10,070)	7,711	(2,359)
5,182	**(14,599)**	**(9,417)**	**(Surplus)/Deficit carried forward**	(4,888)	(6,888)	(11,776)

Note 1 Council Tax Base

Council Tax derives from charges raised according to the value of residential properties which have been classified into eight valuation bands at 1991 prices, the bands ranging from A to H. The Council Tax base for the year, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

Band D equivalents 2024/25	Valuation band	Number of dwellings on Valuation List	Number of chargeable dwellings	Ratio to band D	Band D equivalents 2025/26
1	A*	1	1.00	5/9	1
213	A	457	314.74	6/9	213
928	B	1,785	1,238.32	7/9	928
6,503	C	10,091	7,611.66	8/9	6,503
12,752	D	15,118	12,920.81	9/9	12,752
11,048	E	10,100	9,077.43	11/9	11,048
6,226	F	4,725	4,334.18	13/9	6,226
3,393	G	2,197	2,051.13	15/9	3,393
219	H	121	109.00	18/9	219
41,283	Total				**41,283**
24		Number of band D equivalents in lieu			24
(2,065)		Allowance for losses on collection and appeals			(1,256)
39,242		**Council Taxbase for 2025/26**			**40,051**

Note 2 Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national non-domestic rate multiplier. The total non-domestic rateable value for the Spelthorne area as at 31 March 2026 was £161,091,785 (2024/25: £129,409,383) and the national non-domestic rate multiplier for 2025/26 was £0.55 and £0.499 for small businesses (2024/25 was £0.546 and £0.499).

Group Accounts

Explanatory Notes

Introduction

The purpose of the Group Accounts is to provide a picture of Spelthorne Borough Council and the group of companies and other entities, which are either controlled or are significantly influenced by the Council. The Group Accounts show the full extent of the Authority's wider assets and liabilities, provide transparency and enable comparison with other entities.

The Group Accounts include the following:

- **Group Comprehensive Income and Expenditure Statement -** 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 Movement in Reserves** - 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 Balance Sheet** - reports the Council Group financial position at the year-end.
- **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.
- **Notes to the Group Accounts** where the balances are materially different to those in the single entity accounts.

Results of Subsidiaries

The following notes provide additional details about the Authority's involvement in the entities consolidated to form the group accounts.

Knowle Green Estates Ltd

The principal activity of the company is to provide affordable housing in Spelthorne Borough. The company is structured as a company limited by shares. The company is wholly owned by the Council through its 100% shareholding.

The company made an operating loss of £2.671m in 2025/26 (loss in 2024/25 of £0.845m). After taking into account revaluation losses and the release of a deferred tax credit, the total loss in 2025/26 was £8.490m (surplus in 2024/25 of £10.865m).

The company held net assets of £9.022m at 31 March 2026 (£17.512m at 31 March 2025).

Following an independent external review, the Council intends to transfer the assets from the company to the Council and wind up the company in 2026/27. Any remaining assets of the company will be distributed in full to the Council. The winding up process is expected to commence in 2026/27 but likely to be completed in 2027/28 under the successor West Surrey Council.

Other entities within the Group

The other entities within the Group are:

- **Spelthorne Direct Services Ltd** which provides bulk trade waste collection services for non-hazardous waste within the Borough. The company is wholly owned by the Council. The company made surplus of £7,628 in 2025/26 (loss of £12,038 in 2024/25), and had net assets of £79,809 at 31 March 2026 (£72,181 at 31 March 2025).

- **The Post House Ltd**, which provides facilities management services to a block of flats owned by Knowle Green Estates Ltd. The company is wholly owned by Knowle Green Estates Ltd. The company was dormant in 2025/26 and 2024/25. In order facilitate the winding up of Knowle Green Estates Ltd, ownership of The Post House Ltd will be transferred to the Council during 2026/27.

Spelthorne Direct Services Ltd has not been consolidated into the Group Accounts on the grounds of materiality. The Post House Ltd has not been consolidated into the Knowle Green Estates Ltd group because it was dormant.

Going Concern

Because of the Council's intention to wind up Knowle Green Estates Ltd, the accounts for company have been prepared on a break-up basis rather than a going concern basis. Under this basis, the assets were stated at their estimated realisable values and liabilities at their expected settlement amounts. These are no different to their existing values and have, therefore, not been revalued for consolidation in the Council's Group Accounts. However, whilst the company accounts report the assets as held for sale, the Council does not intend to sell the assets on transfer from the company, hence the assets have been reclassified to Other Land and Buildings within Group Property, Plant and Equipment in 2025/26.

Group Comprehensive Income and Expenditure Statement

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

2024/25 Restated *				2025/26		
Gross Expenditure	**Gross Income**	**Total**		**Gross Expenditure**	**Gross Income**	**Total**
£'000	***£'000***	***£'000***		***£'000***	***£'000***	***£'000***
54,520	(33,518)	21,002	Community Wellbeing & Housing	37,819	(26,879)	10,939
19,596	(7,722)	11,875	Corporate Policy and Resources	12,899	(2,120)	10,779
16,983	(6,298)	10,684	Environment & Sustainability	20,554	(9,880)	10,674
27,564	(2,390)	25,174	Business Infrastructure-Growth	3,515	(9,963)	(6,448)
118,663	**(49,928)**	**68,735**	**Cost of Services**	**74,786**	**(48,842)**	**25,945**
1,510	(1,617)	(107)	Other Operating Income & Expenditure	7,045	(6,242)	803
58,248	(47,521)	10,726	Financing & Investment Income & Expenditure	130,289	(391,182)	(260,893)
21,213	(53,801)	(32,588)	Taxation & Non-specific Grant Income	28,991	(49,853)	(20,862)
	50					
199,634	**(152,818)**	**46,766**	**(Surplus)/Deficit on the Provision of Services**	**241,111**	**(496,118)**	**(255,006)**
		50	Corporation Tax on Group Trading Activity			42
		(13,874)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			8,923
		251	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			0
		4,848	Remeasurement of the the defined net defined benefit liability/(asset)			4,938
		3,526	Tax related other comprehensive income			0
		(5,249)	**Other Comprehensive Income & Expenditure**			**13,861**
		41,567	**Total Comprehensive Income & Expenditure**			**(241,103)**

* *Prior year restatement details provided in Note 37 to the single entity accounts*

Group Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The net increase/decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The 2024-25 figures are shown for comparison.

2025/26	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Council Usable Reserves	Council's share of usable reserves of subsidiary	Total Usable Reserves	Council Unusable Reserves	Council's share of unusable reserves of subsidiary	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025 brought forward	**(3,508)**	**(52,181)**	**(2,742)**	**(1,778)**	**(60,209)**	**2,227**	**(57,981)**	**366,251**	**(19,059)**	**347,192**	**289,211**
(Surplus)/Deficit on provision of services	(254,972)				(254,972)	(674)	(255,646)			0	(255,646)
Other Comprehensive Income and Expenditure					0			8,042	5,819	13,861	13,861
Total Comprehensive Income and Expenditure	**(254,972)**	**0**	**0**	**0**	**(254,972)**	**(674)**	**(255,646)**	**8,042**	**5,819**	**13,861**	**(241,785)**
Adjustments between Group accounts and authority accounts	2,061				2,061	2,664	4,725	(4,725)		(4,725)	0
Net (increase)/decrease	**(252,911)**	**0**	**0**	**0**	**(252,911)**	**1,990**	**(250,921)**	**3,317**	**5,819**	**9,136**	**(241,785)**
Adjustments between accounting basis & funding under regulations (Note 8)	272,474	0	2,741	(489)	274,728	0	274,728	(274,888)	0	(274,888)	(160)
Net (increase)/decrease before Transfers to Earmarked Reserves	**19,563**	**0**	**2,741**	**(489)**	**21,817**	**1,990**	**23,807**	**(271,571)**	**5,819**	**(265,752)**	**(241,945)**
Transfer to or from Earmarked reserves	(19,563)	19,563			**0**		0			0	0
(Increase)/Decrease in Year	**(0)**	**19,563**	**2,741**	**(489)**	**21,817**	**1,990**	**23,807**	**(271,571)**	**5,819**	**(265,752)**	**(241,945)**
Balance at 31 March 2026 carried forward	**(3,508)**	**(32,618)**	**(1)**	**(2,267)**	**(38,392)**	**4,217**	**(34,175)**	**94,680**	**(13,240)**	**81,440**	**47,266**

Group Movement in Reserves Statement (continued)

2024/25 Restated *	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Council Usable Reserves	Council's share of usable reserves of subsidiary	Total Usable Reserves	Council Unusable Reserves	Council's share of unusable reserves of subsidiary	Total Unusable Reserves	Total Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2024 brought forward	**(3,083)**	**(56,746)**	**(2,028)**	**(1,506)**	**(63,363)**	**1,700**	**(61,663)**	**316,575**	**(7,349)**	**309,226**	**247,563**
Restatement	0	1	(61)	0	(60)		(60)	458		458	398
Restated balance at 31 March 2024	**(3,083)**	**(56,745)**	**(2,089)**	**(1,506)**	**(63,423)**	**1,700**	**(61,723)**	**317,033**	**(7,349)**	**309,684**	**247,961**
(Surplus)/Deficit on provision of services	47,704				47,704	(1,205)	46,499				46,499
Other Comprehensive Income and Expenditure								6,461	(11,710)	(5,249)	(5,249)
Total Comprehensive Income and Expenditure	**47,704**	**0**	**0**	**0**	**47,704**	**(1,205)**	**46,499**	**6,461**	**(11,710)**	**(5,249)**	**41,250**
Adjustments between Group accounts and authority accounts	(1,732)				(1,732)	1,732	0			0	0
Net (increase)/decrease	**45,971**	**0**	**0**	**0**	**45,971**	**527**	**46,499**	**6,461**	**(11,710)**	**(5,249)**	**41,250**
Adjustments between accounting basis & funding under regulations (Note 8)	(41,832)	0	(653)	(272)	(42,757)	0	(42,757)	42,757	0	42,757	0
Net (increase)/decrease before Transfers to Earmarked Reserves	**4,139**	**0**	**(653)**	**(272)**	**3,214**	**527**	**3,742**	**49,219**	**(11,710)**	**37,509**	**41,250**
Transfer to or from Earmarked reserves	(4,564)	4,564									
(Increase)/Decrease in Year	**(425)**	**4,564**	**(653)**	**(272)**	**3,214**	**527**	**3,742**	**49,219**	**(11,710)**	**37,509**	**41,250**
Balance at 31 March 2025 carried forward	**(3,508)**	**(52,181)**	**(2,742)**	**(1,778)**	**(60,209)**	**2,227**	**(57,981)**	**366,251**	**(19,059)**	**347,192**	**289,211**

** Prior year restatement details provided in Note 37 to the single entity accounts*

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

31 Mar 2025 Restated*			31 Mar 2026
£'000		Group Notes	£'000
178,573	Property, Plant & Equipment	2	157,687
196	Heritage Assets		190
624,306	Investment Property		526,057
531	Intangible Assets		681
2,965	Long-term Investments		0
45,089	Long-term Receivables		(174)
851,660	**Long-term Assets**		**684,441**
8,046	Short-term Investments		17,115
2,044	Assets held for Sale		13,412
26	Inventories		40
18,493	Short-term Receivables		13,429
11,180	Cash & Cash Equivalents		5,747
39,789	**Current Assets**		**49,742**
(26,969)	Short-term Borrowing		(18,715)
(24,628)	Short-term Payables		(19,413)
(249)	Bank Overdraft		(634)
(21,647)	Receipts in Advance		(17,405)
0	Short-term Provisions		(304)
(505)	Short-term Liabilities		0
(73,998)	**Current Liabilities**		**(56,471)**
(1,086,253)	Long-term Borrowing		(698,807)
(10,461)	Pension Scheme Liabilities		(16,799)
(417)	S106 Liabilities		(3,989)
(2,156)	Long-term Provisions		(621)
(5,439)	Deferred tax liability		(2,988)
(1,937)	Other Long-term Liabilities		(1,938)
(1,106,662)	**Long-term Liabilities**		**(725,142)**
(289,212)	**Net Assets/(Net Liabilities)**		**(47,429)**
(57,981)	**Usable Reserves**	**Group MiRS**	**(34,175)**
347,193	**Unusable Reserves**		**81,604**
289,212	**Total Reserves**		**47,429**

** Prior year restatement details provided in Note 37 to the single entity accounts*

Group Cash Flow Statement

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

2024/25		Group Notes	2025/26
£'000			**£'000**
(46,427)	Net surplus or (deficit) on the provision of services		(255,042)
49,789	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	3	248,170
12,801	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(9,252)
16,163	**Net Cash Flows from Operating Activities**		**(16,124)**
(9,151)	Net Cash Flows from Investing Activities	4	(1,658)
(5,673)	Net Cash Flows from Financing Activities	5	10,979
1,340	**Net (increase)/decrease in Cash & Cash Equivalents**		**(6,803)**
9,840	Cash & Cash Equivalents at the beginning of the reporting period		11,180
1,340	Net increase/(decrease) in Cash & Cash Equivalents		(6,803)
11,180	**Cash & Cash Equivalents at the end of the reporting period**		**4,377**

Group Note 1 Accounting Policies for the Group

The Group Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council has consolidated its interests in all the entities of which it exercises control or significant influence. Knowle Green Estates Ltd has been consolidated because it is material to the Council's balance sheet.

Where group entities use different accounting policies to the Council, their accounts have been restated to re-align their accounting policies with those of the Council where the effect of not doing so would be material to the reader's interpretation of the accounts.

The accounts for Knowle Green Estates Ltd reported the assets as held for sale, due to the Council's intention to transfer them to the Council and wind up the company in 2026/27. As the Council does not intend to sell the assets on receipt, they have been reclassified to Other Land and Buildings within Group Property, Plant and Equipment.

Intra-group transactions have been eliminated before consolidation on a line by line basis.

All other accounting policies for the Group are the same as for the Council.

Group Note 2 Group Property, Plant and Equipment

Property, plant and equipment within the Group is measured at current value and was all revalued at 31 March 2026, by the Council’s valuers Montagu Evans. Dwellings held by Knowle Green Estates Ltd were valued at existing use value, which aligns with the Council's accounting policies.

Movement on balances

2025/26	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Valuation at 1 April	**169,847**	**5,714**	**214**	**2,658**	**316**	**7,776**	**186,525**
Adjustment	137	0	0	(131)	0	0	**6**
Additions	775	332	0	0	2,171	490	**3,768**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(16,663)	0	0	2,973	0	357	**(13,333)**
Impairment losses reversed in the Surplus/Deficit on the Provision of Services	(6,503)	0	0	4,713		(1,149)	**(2,939)**
Transfer to Assets Held for Sale	(525)	0	0	(8,108)	0	0	**(8,633)**
Reclassifications	(1,731)	0	551	1,180	0		**0**
Other movements in cost or valuation						80	**80**
Gross Book Valuation at 31 March	**145,337**	**6,046**	**765**	**3,285**	**2,487**	**7,554**	**165,474**
Accumulated Depreciation at 1 April (Restated)	**(925)**	**(4,195)**	**(30)**	**0**	**0**	**(2,802)**	**(7,952)**
Reclassification of Depreciation	45	0	(45)	0	0	0	**0**
Depreciation for the year	(2,391)	(314)	(11)	(60)	0	(672)	**(3,448)**
Restatement of Depreciation upon Revaluation to Revaluation Reserve	3,069	0	0	0	0	5	**3,074**
Restatement of Depreciation written out to the Surplus/Deficit on the provision of Services	202	0	0	60	0	277	**539**
Accumulated Depreciation at 31 March	**0**	**(4,509)**	**(86)**	**0**	**0**	**(3,192)**	**(7,787)**
Net Book Value at 1 April	**168,922**	**1,519**	**184**	**2,658**	**316**	**4,972**	**178,573**
Net Book Value at 31 March	**89,890**	**1,537**	**679**	**3,285**	**2,487**	**4,362**	**102,330**

Movement on balances 2024/25

2024/25 Restated*	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
107,352	**67,394**	**6,354**	**202**	**35,203**	**40,709**	**2,479**	**192,299**
Adjustment	110	0	0	0	0	26	136
Additions	11,728	285	121	0	8,196	820	21,150
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,584	0	0	653	0	1,396	12,633
Impairment losses reversed in the Surplus/Deficit on the Provision of Services	(4,681)	0	0	(31,238)	0	(901)	(36,820)
De-recognition	0	(925)	0	0	142	0	(783)
Transfer to Assets Held for Sale	0	0	0	(2,090)	0	0	(2,090)
Other movements in cost or valuation	44,754	0	(109)	130	(48,731)	3,956	0
Gross Book Valuation at 31 March	**169,847**	**5,714**	**214**	**2,658**	**316**	**7,776**	**186,525**
Accumulated Depreciation at 1 April (Restated)	**(2,546)**	**(4,217)**	**(24)**	**0**	**0**	**(341)**	**(7,128)**
Reclassification of Depreciation	1,738	0	0	0	0	(1,738)	0
Depreciation for the year	(1,522)	(322)	(6)	0	0	(723)	(2,573)
Restatement of Depreciation upon Revaluation to Revaluation Reserve	1,127	0	0	0	0	0	1,127
Restatement of Depreciation written out to the Surplus/Deficit on the provision of Services	278	0	0	0	0	0	278
Restatement of Depreciation upon Disposal	0	344	0	0	0	0	344
Accumulated Depreciation at 31 March	**(925)**	**(4,195)**	**(30)**	**0**	**0**	**(2,802)**	**(7,952)**
Net Book Value at 1 April	**104,806**	**2,137**	**178**	**35,203**	**40,709**	**2,138**	**185,171**
Net Book Value at 31 March	**168,922**	**1,519**	**184**	**2,658**	**316**	**4,974**	**178,573**

**Prior year restatement details provided in Note 37*

SPELTHORNE BOROUGH COUNCIL

Group Note 3 Group Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2024/25		2025/26
£'000		£'000
(793)	Interest received	(2,778)
25,331	Interest paid	27,854
(1,323)	Dividends received	(80)

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

2024/25		2025/26
£'000		£'000
1,981	Depreciation and amortisation	(2,678)
63,203	Impairment and downward revaluations	(90,986)
(5,873)	Increase/(decrease) in provision for bad debts	2,036
(172)	(Increase)/decrease in creditors	4,800
(10,839)	Increase/(decrease) in debtors	(4,777)
(6)	Increase/(decrease) in inventories	14
(538)	Movement in pension liability	1,093
439	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	0
1,595	Other non-cash items charged to the net surplus or deficit on the provision of services	338,668
49,789	**Total**	**248,170**

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

2024/25 £'000		2025/26 £'000
	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries	
368	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,242)
12,433	Any other items for which the cash effects are investing or financing cash flows	(3,010)
12,801		**(9,252)**

Group Note 4 Group Cash Flow Statement – Investing Activities

2024/25 £'000		2025/26 £'000
(42,820)	Purchase of property, plant and equipment, investment property and intangible assets	3,768
(567,175)	Purchase of short-term and long-term investments	520,063
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,242)
588,411	Proceeds from short-term and long-term investments	(516,236)
12,433	Other receipts from investing activities	(3,010)
(9,151)	**Net Cash Flows from Investing Activities**	**(1,658)**

Group Note 5 Group Cash Flow Statement – Financing Activities

2024/25 £'000		2025/26 £'000
65,113	Cash receipts of short- and long-term borrowing	(574,675)
(150)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance-shee	112
(70,636)	Repayments of short- and long-term borrowing	585,542
(5,673)	**Net Cash Flows from Financing Activities**	**10,979**

Glossary of Terms

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

AAA RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING STANDARDS

The pronouncements of standard setting bodies that local authorities are required to follow (subject to adaptation by the Accounting Code). Primarily the IFRS framework administered by the International Accounting Standards Board.

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices the Authority applies in preparing and presenting the financial statements.

ACCOUNTS AND AUDIT REGULATIONS 2015

The statutory rules that establish requirements for internal control and financial systems and specify the arrangements for the annual accounts and audit process.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

Changes in the Authority's pensions liabilities calculated at the end of the previous year as a result of actual events being different from those predicted by the actuary or because the actuary has updated their assumptions.

ACTUARY

The expert engaged by the Authority to calculate its pensions liabilities.

ADDED YEARS

Additional entitlement to pensions benefits sometimes added to an officer's years of service upon early retirement.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Contributions made by officers to secure pensions benefits additional to those available under the Local Government Pension Scheme.

ADJUSTMENT ACCOUNT

A statutory reserve in the Balance Sheet that allows the General Fund Balance to be managed so that expenditure can have an impact on the setting of Council Tax in a different year from that in which it would be an expense under proper accounting practices.

AMORTISATION

The spreading of the cost of an asset over a number of financial years to fairly represent the period over which the Authority benefits from the asset.

AMORTISED COST

A way of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transactions costs over the instrument term and the impact of any concessionary interest rates.

AMORTISED COST FINANCIAL ASSETS

Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets: held within a business model whose objective is to hold investments in order to collect their contractual cash flows, and which have the form of a basic lending arrangement (i.e., contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

ANNUAL GOVERNANCE STATEMENT

The annual governance statement is a statutory document that explains the process and procedures in place the enable the Council to carry out its functions effectively.

ASSET CEILING

The limit on the amount of any net pensions asset that will be recoverable in the form of reductions in future contributions to the pension fund.

ASSETS

Present economic resources controlled by the Authority as a result of past events. Assets include such things as the Authority's property, cash and investments and sums owed to it.

ASSETS HELD FOR SALE

An asset (or group of assets and liabilities) whose value will be recovered principally by being sold rather than through its continued use in the provision of services.

ASSETS UNDER CONSTRUCTION

Property, plant and equipment that is being constructed for use by the Authority, but which is not yet operational.

AUDIT OF ACCOUNTS

Activity that investigates whether the Authority's financial systems and other accounting arrangements are adequately designed and operating effectively, and that the information they produce is reliable for the purposes of preparing financial statements.

AUDIT COMMITTEE

A committee of the Authority that oversees the work of internal auditors and considers reports from the external auditors.

BALANCE SHEET

The financial statement that summarises the assets and liabilities of the Authority at the end of the financial year and shows how net assets are balanced by the reserves held by the Authority.

BALANCES (OR RESERVES)

These represent accumulated fund available to the Council. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves, which are set out for technical purposes. It is not possible to utilised these to provide services.

BEST VALUE

The statutory duty that the Authority has to make arrangements to secure continuous improvement in the way in which it exercises its functions, combining economy, efficiency and effectiveness.

BID (BUSINESS IMPROVEMENT DISTRICT)

A local area in which businesses have voted to pay extra business rates in order to fund additional or enhanced services.

BILLING AUTHORITY

An authority that is responsible for administering the collection of Council Tax and business rates, including issuing bills and distributing amounts collected to other authorities.

BOOK VALUE

The amount at which an asset or liability is recorded in the Balance Sheet.

BORROWING COSTS

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BROUGHT FORWARD AMOUNTS

Balances of resources outstanding at the end of the preceding financial year that were available to be spent in the current year.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

BUSINESS MODEL

Arrangements for holding financial assets, whose objectives can involve making a return by either collecting the cash flows payable under the contracts for each investment (i.e. interest) or hoping to sell investments to gain from increases in their value.

BUSINESS RATES

The tax raised on non-domestic properties, based each year on a multiplier set by the Government applied to an assessment of the value of the property.

BUSINESS RATES RETENTION

The system under which the Authority is able to keep a proportion of the business rates raised in any year in excess of a baseline measure.

CAPITAL ADJUSTMENT ACCOUNT

The unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (largely depreciation) and for the financing of the acquisition, construction or enhancement of those assets from revenue, grants, contributions and capital receipts as determined under statutory provisions. (The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.)

CAPITAL EXPENDITURE

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads and computer equipment. Capital expenditure includes other transactions specified in legislation.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT

The measure of the Authority's capital expenditure that has yet to be financed, as defined in the Prudential Code. It increases as capital expenditure is incurred and reduces when resources are set aside as capital finance.

CAPITAL GRANTS

Grants given to meet the cost of capital expenditure.

CAPITAL GRANTS UNAPPLIED

The amount in the Balance Sheet of capital grants that have not yet been used and will have to be repaid if conditions for their use are not met.

CAPITAL PROGRAMME

The Authority's plans for capital expenditure, usually detailing the individual projects that are to be carried out, their budgeted cost and the expenditure incurred to date on them.

CAPITAL RECEIPT

Income received from the sale of non-current assets (particularly land and property) and from other transactions specified in Government regulations. Their use is largely restricted to financing capital expenditure or repaying debt.

CAPITAL RECEIPTS RESERVE

The reserve in the Balance Sheet that holds the capital receipts that have yet to be applied to financing capital expenditure.

CAPITAL STRATEGY

The annual strategy that the Prudential Code requires the Authority to prepare. It gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, how associated risk is managed and the implications for future financial sustainability.

CAPITALISATION

The accounting process by which expenditure is recorded as an asset on the Balance Sheet, rather than being charged as an expense when it is incurred.

CARRIED FORWARD AMOUNTS

Balances of resources outstanding at the end of the current financial year that will be available to be spent in the next year.

CARRYING AMOUNT

The amount at which an asset or liability is recorded in the Balance Sheet.

CASH FLOW STATEMENT

The financial statement that summarises the Authority's cash inflows and outflows for the year, split into amounts for operating, investing and financing activities.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

CIPFA is the professional institute for accountants working in the public sector. CIPFA publishes the Code of Practice.

CIPFA LASAAC CODE BOARD

The partnership between CIPFA and the Local Authority (Scotland) Accounts Advisory Committee responsible for preparing and maintaining the Accounting Code of Practice.

CIPFA/SOLACE FRAMEWORK

A framework of recommended practice for governance contained in the Delivering Good Governance in Local Government publication.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (THE ACCOUNTING CODE)

The document that specifies the contents of the Authority's statement of accounts, the accounting policies it must follow, the presentation of the financial statements and the notes to be provided.

The ‘Code of Practice on Local Authority Accounting in the United Kingdom’ (the Code) is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. It constitutes a ‘proper accounting practice’ under the terms of Section 21(2) of the Local Government Act 2003.

COLLECTION FUND

The separate accounting arrangements for the collection of Council Tax and business rates and the sharing of the proceeds between the Authority, Government and other public bodies.

COLLECTION FUND ADJUSTMENT ACCOUNT

The unusable reserve that manages the differences arising from the recognition of Council Tax and business rates income as it falls due from taxpayers compared with the statutory arrangements for paying across annual entitlements from the Collection Fund to the General Fund.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal such as parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

A statement that details the total income received and expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code of Practice.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONDITIONS

Terms attached to a grant or a donated asset that specify how the funding/donation is to be used and that will result in repayment/return to the donor if not satisfied.

CONSOLIDATED FINANCIAL STATEMENTS

Financial statements that bring together the transactions and balances of two or more entities on a line-by-line basis.

CONSTRUCTIVE OBLIGATION

An obligation that does not have a legal basis but arises from the Authority's actions demonstrating that it will accept certain responsibilities and by which a valid expectation has been created that it will discharge those responsibilities.

CONTINGENT ASSET

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

CONTINGENT LIABILITY

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured

CONTROL (GROUP ACCOUNTS)

Circumstances where the Authority is exposed to variable returns from its involvement in another entity and has the ability to affect those returns through its power over the investee.

CORPORATE BOND

A bond issued by a bank or other commercial organisation.

COST

The amount the Authority paid to acquire an asset or incurred in its construction and preparation for use, in contrast to its current value.

COST OF SERVICES

The line in the Comprehensive Income and Expenditure Statement that summarises the Authority's net expenditure on providing services, before considering non-service specific items.

COSTS TO SELL

The costs that would be incurred directly as the result of disposing of an asset.

COUNCIL TAX

The tax raised on households, based each year on the position of the property in eight valuation bands A to H.

CREDIT LOSSES

A measure of how much the Authority would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Authority under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

CREDIT RATING

An assessment of the risk that an entity that has borrowed money from the Authority or with which the Authority has made an investment might default on repayments.

CREDIT RISK

The risk that someone that the Authority has lent money to or has made an investment with will not pay back some or all of the loan or investment.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

CURRENT ASSET

An asset that the Authority expects to realise or consume in the provision of services within the next twelve months.

CURRENT LIABILITY

A liability that the Authority expects to settle within the next twelve months.

CURRENT SERVICE COST (PENSIONS)

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

CURRENT VALUE

The measurement bases for property, plant and equipment, reflecting the economic environment for the service the item is supporting. Possible methods comprise: existing use value, existing-use value - social housing, depreciated replacement cost and fair value.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED CAPITAL RECEIPTS RESERVE

The unusable reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

DEFICIT

An excess of expenditure over income.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DERECOGNITION

The process by which assets and liabilities are removed from the Balance Sheet, as a result of being disposed of, consumed or settled.

DIRECT REVENUE FINANCING

Financing capital expenditure from revenue rather than from capital resources.

DISCLOSURE

The inclusion of information in the Statement of Accounts.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets fewer total liabilities.

EQUITY INSTRUMENT

A financial instrument that gives the holder a residual interest in the net assets of an entity (e.g., if it is wound up). The commonest example is shares in a company.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the accounts.

EXPECTED CREDIT LOSS PROVISION

A debt that the Authority is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

EXPECTED RETURN ON ASSETS

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

EXPENDITURE AND FUNDING ANALYSIS

A note to the financial statements that compares the Authority's net expenditure for the year in accounting terms (as shown in the Comprehensive Income and Expenditure Statement) to the net spend against the General Fund Balance (against which the Authority monitors its progress against budget, as shown in the Movement in Reserves Statement).

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm’s length transaction.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the Authority’s income as they arise but only when the investment matures or is sold. Defined as financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and which have the form of a basic lending arrangement.

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income. Movements in their fair value are recognised as income and expenditure when they arise.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

FINANCIAL REPORTING STANDARD (FRS)

Accounting standards governing the treatment and reporting of income and expenditure in an organisation’s accounts.

FINANCIAL INSTRUMENTS REVALUATION RESERVE

An unusable reserve that contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Authority might benefit in the future from the gains when the investments mature or are sold, or they might be lost in falls in value.

FINANCIAL LIABILITIES

Liabilities that take the form of a contractual obligation to deliver cash (or another financial asset) to another entity, such as taking out a loan. The definition also includes more complicated arrangements involving the exchange of financial instruments that might result in a loss for the Authority.

FINANCIAL STATEMENTS

A general term for the published accounts as a whole but also used specifically to refer to the primary elements - Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

FIXED ASSETS

Assets that yield benefit to the Council and the services it provides for a period of more than one year.

GENERAL FUND

The fund into which the Authority pays all its revenue income and from which it incurs all its revenue expenditure, unless specifically mandated by law not to.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

GROSS EXPENDITURE

The expenditure of the Authority before taking any income into account.

GROSS INCOME

The income of the Authority before any deductions for expenditure.

GROUP

The Authority and its subsidiaries, associates and joint ventures.

GROUP ACCOUNTS

Financial statements that bring together the transactions and balances of a local authority and its subsidiaries, associates and joint ventures as if they were a single economic entity.

HERITAGE ASSETS

Heritage asset are assets with historic, artistic, scientific, technological, geophysical, or environmental qualities held and maintained principally for its contribution to knowledge and culture.

HISTORICAL COST

An accounting convention based on what items actually cost to acquire or construct and the cost of their subsequent enhancement, rather than the value they currently have.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

IMPAIRMENT

A reduction in the carrying value of a fixed asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment.

INTANGIBLE ASSETS

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting practices recommended by the major accounting bodies and applied internationally.

INVENTORIES

Items of raw materials and building supplies an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENT PROPERTIES

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.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) is an independent committee that develops and promotes proper accounting practice for local government in Scotland.

LIABILITIES

Liabilities are present obligations of the Authority to transfer an economic resource as a result of past events.

LIQUIDITY RISK

The risk that the Authority might at any time not have sufficient cash to make payments that are due.

LONG TERM ASSET

An asset that the Authority does not expect to realise or consume in the provision of services within the next twelve months.

LONG TERM DEBTORS

Debtors representing the capital income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

LONG TERM LIABILITY

A liability that the Authority does not expect to settle within the next twelve months.

MARKET RISK

The risk that the Authority might make losses on financial instruments from adverse movements in market prices, such as changes in variable interest rates or quoted prices for investments.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MEASUREMENT

The accounting process for determining the amount that an asset or liability should be recorded at in the Balance Sheet.

MHCLG

Ministry for Housing, Communities and Local Government.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

MOVEMENT IN RESERVES STATEMENT (MIRS)

The financial statement that shows the balances of capital and revenue resources available to the Authority at the year-end, detailing how these balances have been arrived at by adjustments to the financial performance established by proper accounting practices in the Comprehensive Income and Expenditure Statement.

NET ASSETS

The amount by which assets in the Balance Sheet exceed liabilities.

NET CURRENT ASSETS

The amount by which current assets in the Balance Sheet exceed current liabilities.

NET CURRENT LIABILITIES

The amount by which current liabilities in the Balance Sheet exceed current assets.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The amount by which borrowings and lease liabilities are greater than investments.

NET EXPENDITURE

The expenditure of the Authority after taking income into account.

NON-CURRENT ASSET

An asset that the Authority does not expect to realise or consume in the provision of services within the next twelve months.

NON-CURRENT LIABILITY

A liability that the Authority does not expect to settle within the next twelve months.

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as compromising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total cost of services;
- the costs associated with unused shares oof IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government, and major preceptors.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease that does not transfer substantially all the risks and rewards incidental to ownership of the leased asset.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

OTHER COMPREHENSIVE INCOME AND EXPENDITURE

Items in the Comprehensive Income and Expenditure Statement that do not arise as a result of the provision of services but from revaluations of assets and remeasurements of net pensions liabilities.

OUTTURN

An actual financial outcome, usually used in relation to expenditure incurred against a budget.

PAST SERVICE COST (PENSIONS)

A cost arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

PENSION FUND

A fund kept by an administering authority that collects together the pensions contributions paid by organisations and individuals that participate in a pension scheme, manages the investment of these contributions and pays out pensions to retired employees.

PENSIONS RESERVE

An unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. For instance, a debit balance on the Reserve shows that the Authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRECEPTING AUTHORITIES

Other local authorities that have a right to raise a precept on the Authority, namely Surrey County Council and Surrey Police and Fire Commissioner.

PREPAYMENTS

Payments made by the Authority in advance of goods or services being supplied.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROPERTY, PLANT AND EQUIPMENT

A class of assets with physical substance 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 more than one year).

PROVISIONS

Liabilities of uncertain timing or amount which is to be settled by transfer of economic benefits.

PRUDENTIAL CODE

Since 1 April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority's capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific Prudential indicators.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The value assigned to a property by the Valuation Office for the purposes of calculating business rates payable for the year.

RECEIPTS IN ADVANCE

Payments taken by the Authority in advance of goods or services being supplied to recipients.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits, and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The amount that an item of property, plant or equipment could be sold for (less costs of disposal), if it were in the condition expected at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVALUATION GAIN

The excess of the revalued amount of an asset over its previous carrying amount.

REVALUATION LOSS

A shortfall in the revalued amount of an asset compared with its previous carrying amount.

REVALUATION RESERVE

The unusable reserve that accumulates the gains made by the Authority from increases in the value of its Property, Plant and Equipment assets. The Authority might benefit from these gains in the future from the continued use of the assets or from their sale. (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.)

REVENUE EXPENDITURE

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

RICS

Royal Institution of Chartered Surveyors - responsible for the professional standards applied in valuing local government property.

SOCIETY OF LOCAL AUTHORITY CHIEF EXECUTIVES (SoLACE)

SoLACE is the representative body for senior strategic managers working in the public sector.

STATEMENT OF ACCOUNTS

The formal name for the financial statements that the Authority is required to prepare each year.

STATUTORY ADJUSTMENTS

The adjustments made under law and regulations to the outcomes of the Accounting Code's requirements before establishment of the General Fund Balance, allowing the budgetary impact of specified items of expenditure on particular financial years to be managed. Adjustments relate primarily to the revenue impact of capital expenditure and pensions costs.

STRAIGHT-LINE BASIS

A basis for spreading an item of expense or income over a number of years by charging equal amounts for each year.

SUBSIDIARY

An entity that is controlled by the Authority.

SUPPORT SERVICES

The activities of the Authority that support the providers of services directly to the public (e.g., HR, finance).

SURPLUS

An excess of income over expenditure.

SURPLUS ASSETS

Property, plant or equipment that is not being used to provide services but that does not meet the criteria for an investment property, or an asset held for sale.

SURPLUS/DEFICIT ON THE PROVISION OF SERVICES

The line in the Comprehensive Income and Expenditure Statement that summarises the Authority's net expenditure on providing services, after considering non-service specific items.

TERMINATION BENEFITS

Employee benefits given in relation to the termination of an officer's employment, usually as a result of redundancy or early retirement.

TRUE AND FAIR

The standard against which local authority accounts are prepared, requiring compliance with statutory requirements and the Accounting Code, the absence of material misstatements and bias in the presentation of information, and faithful representation of transactions and events.

UNUSABLE RESERVES

The reserves in the Balance Sheet that are not balances of usable resources, comprising revaluation reserves and adjustment accounts.

USABLE RESERVES

The reserves in the Balance Sheet that are balances of usable resources, both revenue and capital.

USEFUL ECONOMIC LIFE (UEL)

The period for which an asset is expected to be available for use by the Authority.

VALUATION

An estimate by an appropriately qualified person of the amount the Authority could sell an asset for or of the benefit of continuing to use it for the provision of services. The basis of valuation will depend on the nature of the asset being valued.

Annual Governance Statement (AGS)

Executive Summary

Spelthorne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these responsibilities, the Council is also responsible for putting in place proper arrangements for the governance of its affairs. These include systems of internal control and procedures for managing risk. Pages 167 to 171 of this document explains the purpose of corporate governance and sets out the key components of effective governance in practice. Such arrangements cannot eliminate all risk of failure and will only ever provide reasonable and not absolute assurance of effectiveness. Governance arrangements should however be designed and implemented so that they manage risk down to an appropriate level and highlight areas where further improvements need to be made.

The Annual Governance Statement (AGS) describes the arrangements in place during 2025/26 and provides an assessment of how effectively these operated in relation to the seven key requirements in the CIPFA/SOLACE framework which are set out on pages 172 to 184. The AGS highlights arrangements which are working well and identifies other areas where further improvement is required. This Statement is reviewed and formally approved each year by the Council's Audit Committee and reviewed by the Council's external auditors.

Production of the AGS is underpinned by an annual governance review which covers the period from 1 April up to the date the financial statements are finalised and approved. Appendix 1 sets out in detail how this review was carried out.

During 2025/26, we made progress in responding to the findings of the Best Value Inspection and addressing the resulting Statutory Directions issued in May 2025. We have also responded positively to matters raised by the External Auditors (see Appendix 4). This has included constructive engagement with the Commissioners to identify requirements, priorities and agree impactful changes needed to strengthen governance and financial management. Although there is now greater clarity around expectations and the steps required to address them, the Council continues to face significant challenges in terms of ensuring that arrangements put in place are both adequate in principle and properly applied in practice. For example, we acknowledge that:

- some new processes, especially those linked to risk management are not yet fully embedded in day-to-day service delivery, and
- some officers and members are unfamiliar with rigorous but constructive challenge, review and assessment processes and limited training has been provided to support this change.

Pages 162 to 165 of this document set out the key actions taken to strengthen corporate governance in 2025/26, and page 166 sets out the priorities to be addressed in the coming year. As demonstrated by Appendix 2, all governance issues identified in this document have been captured within the Improvement and Recovery Plan and progress will continue to be monitored and reported and reflected in next year's Annual Governance Statement.

Local Government Reorganisation has required the Council to operate at pace, while maintaining essential services and prioritising the delivery of savings to address its debt position. Whilst engaging with the Future Surrey Programme Board the Council remains focused on achieving best value for our residents, and on ensuring that we address the Best Value and external audit recommendations to strengthen the inheritance we pass onto West Surrey Council.

Assessment of Effectiveness

Spelthorne Borough Council is very much aware of weaknesses identified in the Best Value Inspection report and the Statutory Directions issued in January and May 2025 respectively. Based upon the contents of this report, and in particular:

- the annual governance review processes set out in Appendix 1, and
- the opinion provided by the Head of Internal Audit in Appendix 3,

the Council's overall assessment is that although governance arrangements in 2025/26 have been significantly improved, more needs to be done to ensure these processes work well consistently and help the Council to identify risks, weaknesses, and area for improvement going forward. We remain committed to rebuilding trust and ensuring effective governance as we prepare for structural transition to West Surrey Council on 1 April 2027. This work is being undertaken alongside the ongoing delivery of core council services for our residents.

Gordon Mitchell
Chief Executive

Signed:

Date:

Councillor Greg Neall
Leader of the Council

Signed:

Date:

Summary of key actions delivered in 2025/26 to address issues raised in the 2024/25 Annual Governance Statement

Commercial Theme	**Action taken**
Commercial property rationalisation plan	The Council approved an asset rationalisation plan and appointed external advisors to assist with implementing the plan.
Improve commercial governance including contract management and procurement	Updated procurement policies and procedures together with the Contract Standing Orders, rolled out procurement and contract management training aligned with new Contract Standing Orders, stood up the Procurement Board to improve scrutiny and ensure compliance with the new policies and procedures.
People, systems and data management	Introduced Staffing Panel and undertaken a review of all information held to support operational decision making and recommendations to Committee for commercial decisions.
Develop a comprehensive commercial strategy with clear approaches to investment and regeneration portfolios	The Council has approved a commercial strategy to progress asset rationalisation and decision making involving assets in the commercial and regeneration portfolios.
Regeneration and Housing Theme	**Action taken**
Regeneration and housing confidence	Consultants and Property agents have been appointed to progress regeneration masterplans for Staines and affordable housing delivery.
Knowle Green Estates Ltd future resolution	The Council engaged Savills to undertake a review of the future financial viability of Knowle Green Estates in 2025/26 setting out a range of options. The preferred option is to wind up the company and transfer the assets to the Council in 2026/27 with a view to the assets transferring to the Hosing Revenue Account of the new West Surrey Council.
Balanced housing mix	The Council approved a Supplementary Planning Document on HMOs.
Thriving communities and infrastructure	The Council adopted a new Local Plan, and the new Spelthorne Design Code.

Homelessness provision	The Council published information guides for Houses of Multiple Occupation (HMOs) and is undertaking a holistic review of nightly paid accommodation costs and length of stay, setting new targets to reduce costs by the end of the 2026/27 Financial Year.
Finance Theme	**Action taken**
Review level of Minimum Revenue Provision	The Council approved a revised Minimum Revenue Provision (MRP)Policy in November 2025 for 2025/26 resulting in MRP being set at a prudent level in line with statutory guidance.
Review sinking fund strategy and assumptions	In view of the decision to dispose of the investment property portfolio, the Council approved a revised Reserves Strategy in 2025/26, which re-purposes the sinking funds held in order to support the General Fund. This means the Council no longer has sinking fund reserves and therefore there is no longer a requirement for a sinking fund strategy.
Audit and accounts	The Council received a disclaimed audit opinion on the 2024/25 under the Government's audit backstop arrangements. The 2024/25 Audit Findings report received in January 2026 had 5 audit recommendations a significant reduction on the number for 2023/24. Work is ongoing on the 2025/26 accounts to improve quality control processes to in order improve the level of assurance of the accounts preparation and restore audit confidence.
Systems and data	The new Interim Deputy Chief Finance Officer, working with the Systems Accountant, has streamlined the budget monitoring functionality and is moving budget monitoring onto the single financial data set and away from a reliance on use of spreadsheets.
Capacity and capability	Additional specialist Finance interim staff have been recruited to fill gaps in skillsets and improve the quality of financial reporting and treasury management.
Update the Medium Term Financial Plan (including Treasury Management and capital strategies) in line with the new commercial strategy to reduce the cost of the investment and regeneration portfolio	A revised Medium-Term Financial Plan was approved during the year. In addition, the Treasury management Strategy was completely revised to comply with professional guidance. In line with the Statutory Direction to implement a strict debt reduction plan, £905m of debt was restructured in November 2025, reducing overall borrowing by £341m.

Governance Theme	Actions taken
Decision making process review	Reviewed and reset internal Management Team meetings to streamline processes and deliver focussed strategic oversight.
Risk culture	During the year a new Governance Assurance Framework was introduced
Internal audit	Internal Audit Plan for 2025/26 completed. Internal audit annual plan for 2026/27 was agreed in March 2026 and is progressing without slippage; regular meetings between internal audit provider, statutory officers and chair of the Audit Committee are in place.
Reports and guidance	A revised report template has been implemented and report writing training delivered; implement focussed adjustments to the approval process.
Culture and continuous improvement	The Council has approved an Protocol on relations between Members. The Council also has agreed an Equality, Diversity and Inclusion Strategy. A revised set of Corporate and Service KPIs have been prepared and are being bedded in.
Local Government Reorganisation Theme	**Actions taken**
Data collection/sharing	The Council appointed a set of subject matter experts for each Surrey Local Government Reorganisation (LGR) workstream who provided the Council's data input into the process.
HR rationalisation	The Council is feeding into the People and Governance Surrey LGR workstream. All job descriptions have been reviewed and updated.
Financial rationalisation	The Council is feeding into the Surrey LGR Finance workstream. We fed into the baseline report for West Surrey which was provided to the Joint Committee in March 2026.
Systems and contracts	The Council is feeding into the Surrey LGR Procurement and Contracts workstream. The Deputy Chief Executive is theme sponsor for Procurement and Contracts. We have fed into the single Surrey contracts database our contracts data.

Elections and governance	The Deputy Returning Officer, managed the preparations which led to the elections in Spelthorne being delivered on 7th May and the Count completed on 8th May.
Change management	In response to the Statutory Direction issued to the Council in May 2025, the Council has implemented an Improvement and Recovery Board (IRB), agreed an Improvement Recovery Plan and established IRB Sub-Boards which meet regularly to monitor improvement against the themes set out in the IRB.

Summary of actions focused on strengthening governance in 2026/27

Delivery plans for each IRP theme	Engagement strategy for LGR and IRP	Preparations required by Surrey First (LGR)
Fortnightly staff briefings	Review of KPIs	Induction for West Surrey representatives
Procurement training	Pulse surveys with staff	Review of Corporate Plan
Climate Change SPD	Annual Report for Standards Committee	Affordable Housing SPD
Infrastructure Delivery Plan	Resource planning for LGR leads	Actions toward achieving unqualified audit opinion
Forward Planning and timeliness of reporting	Annual Report for Audit Committee being considered at Council	Rationalising the length of meetings
Refocus officer development programme to support LGR transition	Embedding budget monitoring processes by budget holders	Refine refocused MAT meetings

SPELTHORNE
BOROUGH COUNCIL

Purpose of the Annual Governance Statement

- The Annual Governance Statement explains how the Council checks that it is run properly and lawfully.
- It meets the legal requirement to review how well our internal controls and governance arrangements work and to publish this review every year and include in the Statement of Accounts. As per process set out at **Appendix 1**.
- It's an objective and honest appraisal of that review.
- The Statement shows that we have appropriate governance arrangements in place, sets out what we achieved during 2025/26, and highlights what we still need to improve to support delivery in 2026/27.
- It focuses on how the Council is governed and managed, identifying strengths and any significant weaknesses in our systems and controls, rather than measuring our performance.

What is Corporate Governance?

The Council's Local Code of Governance sets out how the Council is run. It describes the way decisions are made, how the Council is managed, and how it involves and is accountable to the community it serves. Spelthorne Borough Council's current Corporate Governance framework is defined by the following elements in Diagram 1.

The work following intervention has helped the Council understand that strong governance comes from a culture of continuous improvement and open challenge. We will keep reviewing our work honestly and take action where needed to make sure our governance remains strong.

Diagram 1: Spelthorne Borough Council's current Corporate Governance framework

Corporate Plan

The Council's Corporate Plan for 2024/28 sets out our vision and strategic priorities: Community, Addressing housing need, Resilience, Environment and Services. Progress of delivering these priorities is reviewed and published each year in our Annual Report. To avoid duplication the tracking of progress against priorities has been integrated into the Improvement and Recovery Plan process.

Improvement and Recovery Plan (IRP)

The IRP was originally approved by Council in October 2025 as the Council's action plan for addressing the Government's Best Value Directions. The Plan was updated by Corporate Policy and Resources Committee in February 2026. The IRP incorporates the governance actions captured in the Annual Governance Statement 2024/25. Progress is shown in **Appendix 2**.

Constitution

This has been reviewed during the year to ensure it remains relevant and effective, responding to changes in legislation and implementing recommendations on improvements. It defines the roles/responsibilities of the Council, service and regulatory committees, and statutory officers and sets out how these roles are discharged, and the delegations extended to officers and Councillors.

Council & Committees

The Council moved to a Committee System form of governance in 2021, and the current remits and structure have been in place since 2024. The Internal audit of the Council's decision making and accountability recommended 18 governance improvement recommendations, and these were incorporated into the Improving Governance workstream within the IRP. Some of the recommendations require changes to the Council's Constitution and will be implemented in time for the May 2026 Annual Council Meeting, the Standards and Audit Committee Chairs' will present Annual Report on behalf of their Committees to July Council.

Improvement and Recovery Board

This non-decision-making board monitors progress against the Improvement and Recovery Plan. The meeting is chaired by the Lead Commissioner and involves the Commissioners, the Leader, Leader of the Conservative Group, the Chair of Audit Committee and the Senior Responsible Officers for the delivery of the workstreams within the IRP as well as the Programme Director co-ordinating the Plan.

Scrutiny of decisions

During this period the majority of decisions were made by the Committees or delegated to officers. There are structures and processes in place to hold these to account. Further improvements to levels of scrutiny are planned in 2026/27 as the new Governance Assurance framework is embedded and each Service Committee will be able to scrutinise the risks for projects within its scope.

Governance Assurance

The Council recognises that the effective identification, assessment and management of strategic and operational risk is essential to good governance. Robust risk management arrangements are necessary to support the Council's ability to meet its statutory duties, deliver corporate priorities and provide high-quality public services. However, the effectiveness of these arrangements has not been consistently demonstrated during the year.

At the start of the year, the Council operated a traditional risk management approach supported by a Corporate Risk Register (CRR), which identified key strategic risks and was subject to periodic review by officers and Councillors. In response to recommendations from the Best Value Inspection and Grant Thornton's External Audit, the Council initiated a programme of improvements to its risk management arrangements, supported by an external governance expert. Rather than undertaking a comprehensive revision of its existing policies and processes, the Council made a strategic decision to transition to a governance assurance-based approach. While this reflects an intention to strengthen oversight, it has yet to be fully implemented to demonstrate clear, consistent benefits in practice.

During the transition period, there has been a hiatus in the regular review of the Corporate Risk Register, reducing the level of Councillor oversight, challenge and transparency. This has limited the Council's ability to maintain a clear and up-to-date understanding of its risk profile. Although a new Governance Assurance Framework has been adopted, implementation remains at an early stage. Work is ongoing to embed understanding, clarify roles and responsibilities, and support the cultural change required for the framework to operate effectively. By the end of April 2026, 49 officers and 24 councillors had received targeted training. Further detail on the Governance Assurance Framework is provided in **Appendix 6**.

Statutory Officers

Statutory officers are responsible for delivering and overseeing the financial management and governance of the Council:

The Chief Executive is the Council's Head of Paid Service who is responsible for the overall functioning of the council and the allocation of resources. There was a change of postholder during 2025-26 with the Deputy Chief Executive acting as interim between December and March. The new Chief Executive, Gordon Mitchell, was confirmed in March 2026.

The Deputy Chief Executive is the Council's S151 Officer responsible for financial governance, risk and control frameworks.

The Head of Corporate Governance is the Council's Monitoring Officer responsible for the ethical framework for both officers and councillors.

Partnerships

There are a number of organisations which are independent from the Council but have an impact on its service areas.

In order that the Council can maintain effective partnerships with a number of these organisations, representatives of the Council, usually elected Councillors, sit on the various committees and forums that are responsible for them. Further details are set out at **Appendix 7**.

Spelthorne Direct Services Ltd (SDS)

The Council set up SDS to provide a locally based commercial waste service for businesses in and around the Borough. SDS's aim is to help the local business community recycle more, lower waste collection costs, and reduce their carbon footprint.

SDS accounts are independently audited, and the auditors have issued a clean audit opinion for the 2024-25 Accounts.

Work has begun on preparing for the audit of the 2025/26 Accounts.

SDS is looking to position itself so that it can grow the business under LGR.

Knowle Green Estates Ltd (KGE)

External experts were commissioned to review KGE's long-term viability and to propose options. The findings will be reported to CPRC at its July meeting. Approval of the draft Business Plan is therefore pending consideration of those options.

KGE accounts are independently audited, as well as being reviewed by the Council's external auditors when they audit the Council's consolidated Group Accounts.

The independently audited accounts for 2024-25 received a clean audit opinion and show on the Total Comprehensive Income and Expenditure statement a £10.9m total comprehensive income for the year, and net equity in the company of £17.5m.

Previous Board membership concerns have been fully addressed. Two experienced Non-Executive Directors have been in post since December 2020, providing independent challenge and scrutiny, with one acting as Chair. Since January 2025, there have been no senior council officer Board members with the Company Secretary role is provided by the legal team.

Performance Management

The Council recognises that effective performance management is an important component of good governance, supporting the efficient use of resources, delivery of priorities and achievement of outcomes for residents. However, the extent to which current arrangements provide consistent and reliable assurance remains variable.

In principle, performance management should provide assurance that the Council is delivering its priorities effectively and identifying areas for improvement. The Corporate Performance Management Framework is intended to link strategic priorities, service plans, performance indicators and risk management. However, the effectiveness of these links in practice, and the extent to which performance information consistently informs decision-making by officers and Councillors, still requires improvement.

Performance is monitored through a range of measures, including corporate KPIs, statutory and regulatory indicators, local service measures, and individual performance through the Continuous Performance Management (CPM) process. While these mechanisms are in place, there is variability in their application and in the quality and consistency of performance information. This can limit the Council's ability to identify underperformance early and take timely and effective corrective action.

Further detail on the Performance Management Framework is provided in **Appendix 5**.

		Ethical Framework
		There are a number of policies that support this framework: Members Code of Conduct Member Officer Relations Protocol Protocol on relations between Members Staff Code of Conduct

The 7 Principles of Good Governance

There are seven principles and sub-principles of Corporate Governance incorporated within the CIPFA/SOLACE framework and as set out in Diagram 2.

Below is our assessment of our effectiveness and any significant issues identified for inclusion in the improvement actions to be taken.

Appendix 1 sets out the process undertaken in the assessment taken with the sources of information considered. Whilst many of our policies, processes and strategies link to many of the Good Governance Principles, below are those that are particularly relevant.

Diagram 2: 'Delivering Good Governance in Local Government Framework 2014' Published by CIPFA/SOLACE

SPELTHORNE BOROUGH COUNCIL

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

- Whilst all newly elected Councillors and officers receive training on expected behaviours, there have been few opportunities arranged during the period to support Councillors or Officers in refreshing and reinforcing this understanding.
- An induction for Spelthorne representatives on the new West Surrey Council will be delivered to highlight local issues and equip Councillors for the transition to unitary decision making.
- The Council's Standards Committee, guided by an Independent Chair, is responsible for upholding high standards of behaviour from the elected members. In line with best practice an Annual report is being prepared to highlight 2025-26 activities to Council.
- A new protocol defining Councillor to Councillor conduct was agreed in March 2025. This included a new process for submitting complaints between elected members to achieve informal resolution through conciliation where possible.
- In the period from 1 April 2025 to 31 March 2026, there were 7 complaints against Councillors, a decrease from 22 in the previous year. This reduction can be seen to be directly linked to the new protocol. The limited powers available to respond to substantiated concerns may also affect individuals' willingness to make complaints however a number of complaints were rejected by the Monitoring Officer on the grounds that they were politically motivated or lacked sufficient supporting evidence. The Standards Committee received regular updates during the year on the number and types of complaints.
- In response to an internal audit on Equality and Diversity in June 2025 a new Equality, Diversity and Inclusion strategy has been agreed by CPRC in April 2026.
- The review of internal management meetings introduced a quarterly assurance meeting to focus on performance activities, including reviewing complaints, analysing trends, and sharing learning from outcomes to ensure that service improvements are made promptly. Work is ongoing to ensure this approach is fully effective.

GOOD GOVERNANCE PRINCIPLE A:		
Policy, framework or process	Owner	Last reviewed
The Constitution	Group Head of Corporate Governance	2026
Members Code of Conduct	Group Head of Corporate Governance	2025
Member Officer Relations Protocol	Group Head of Corporate Governance	2021
Protocol on relations between Members	Group Head of Corporate Governance	2025
Council values	Deputy Chief Executive	2025
Counter-Fraud Bribery and Corruption Strategy	Group Head of Corporate Governance	2026
Modern Slavery Statement	Group Head Commissioning and Transformation	2023
Equality, Diversity and Inclusion Strategy	Group Head Commissioning and Transformation	2026
Gifts and Hospitality Policy	Group Head of Corporate Governance	2021

B. Ensuring openness and comprehensive stakeholder engagement

- All Council and Committee meetings are held in public except where confidential or exempt information is being presented. As the public are excluded for those items the Council continues to strive to keep these instances to a minimum. Advice is required from the Monitoring Officer whether an exemption from public disclosure is appropriate to ensure that the majority of decision-making takes place in the public domain.
- All Committee reports are published on the Council's website in advance of the relevant meeting. In response to the Best Value Inspection Report comments on the timeliness of some of the Council's reports the Council has reviewed internal processes. There continues to be occasions where report information is not available on time or is updated following publication. It is acknowledged that further scheduling and prioritisation is required to ensure that all reports are published within the required timescales to afford sufficient time for the Councillors and the public to read reports.
- Regular Pulse Surveys are being undertaken to monitor and track motivation, wellbeing, support, and clarity amongst the council employees.
- Responsiveness to freedom of information requests is monitored by the Data Protection Officer and the Council's Management Team.
- It has been fed back that communication on the implications of the Best Value review and how the Council was responding to the Directions was not shared widely enough with staff in order to secure engagement and investment in the outcomes. This is being addressed as part of the refresh of the Improvement and Recovery Plan incorporating the acceleration of local government reorganisation activity towards vesting day.
- During 2024-25, the Council undertook a Residents' Survey and when comparing with the Local Government Association benchmark for how well residents feel informed by the Council, 65% of the people that participated were satisfied, well above the average of 54%.
- The Council proactively engages with residents, businesses, and partners to maintain the Council's reputation and keep users informed about priorities, services and campaigns and consultations via digital, in person and social media channels. The Council's website provides considerable transparency information.
- We are always reviewing the most appropriate ways to communicate, from formal statutory consultations through to the Council's use of social media, website, borough magazine, the Customer Portal, Borough noticeboards and direct mail. In October 2025 the Council's new website was launched with a focus on accessibility, increased search tools and a drive to self-service via online forms. Additional digital platforms were also created for the business community to promote the jobs and skills hub, Business Spelthorne and the awards.
- We hold frequent consultations about various issues and topics, including housing developments, health and wellbeing, arts and culture, budget setting and community safety. Significant consultations during 2025/26 included local government reorganisation, community safety, HMO planning guidance, off-street parking, playground survey, Local Plan main modifications, Design Code and Housing, homelessness strategy.
- The Spelthorne Partnership Assembly (launched in 2024) continues to facilitate residents, Councillors and representatives from organisations in the Borough to meet four times in a year to discuss concerns with the Leader of the Council and Council Officers. The last meeting took place in February 2026 and the next one scheduled for May with guest speaker Borough Commander Inspector Walton.

GOOD GOVERNANCE PRINCIPLE B		
Policy, framework or process	Owner	Last reviewed
Customer Charter	Head of Communications and Customer Experience	2025
Guide to information	Group Head Commissioning and Transformation	2026
Engagement Strategy	Head of Communications and Customer Experience	2025

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

- The Council has an approved Corporate Plan for the period 2024/28. Supported by 136 actions which are tracked on a regular basis by senior leadership team.
- The Council has approved a Social Values Strategy which agreed a set of parameters to evaluate any purchase offers for regeneration sites. Prior to any site disposal the Council will agree a minimum site value and attach weightings to individual criterium to aid decision making and to ensure that the Council consider the social value to the Borough's residents.
- Local Plan was signed off by the Planning Inspector as sound and approved by Council in March 2026.
- The Council has introduced hybrid mail producing a sustainable saving on each letter sent and the delivery of annual billing by email to residents saved £13,000 which had the additional environmental benefit of reducing printing.
- The Council's data focused approach to Climate Change and Sustainability activities has seen significant reductions in production of greenhouse gases, the introduction of a hydromix within radiators in council buildings has yielded a 10% saving on heating costs during the autumn of 2025 and flooding prevention activities are monitored in terms of impact.
- The MHCLG review of homelessness reflected positively on the Council's focus on customer service. However, previously identified improvements, as outlined in the IRP, remain a priority, particularly the need to balance this focus with the economic pressures facing the Council and managing down the cost of temporary accommodation

GOOD GOVERNANCE PRINCIPLE C		
Policy, framework or process	Owner	Last reviewed
Corporate Plan	Deputy Chief Executive	2024
Economic Strategy	Interim Head of Place, Planning and Housing Strategy	2024
Net Zero programme	Group Head Commissioning and Transformation	2025
Medium Term Financial Strategy	Chief Finance Officer	2026
Capital Programme and Capital Strategy	Chief Finance Officer	2026
Corporate Debt Policy	Chief Finance Officer	2026

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

Interventions

- The Improvement and Recovery Plan, agreed in October 2025 and revised in February 2026, details how the Council is approaching the response to the Secretary of State's Directions as part of the Government Best Value intervention process.
- The Action Plan compiled to address areas of improvement identified in the Grant Thornton external audit report for the period 2023-24 has been subsumed into the Improvement and Recovery Plan. This included setting up a central database of strategies, which set out who the document owner is, when the document needs to be reviewed, and who has responsibility for sign-off.

Optimise the achievement of the intended outcomes

- A performance management framework is in place to support delivery of the Corporate Plan and individual service plans, although further development is required to ensure consistent and effective application.
- There is also an organisational development framework in place including Continuous Performance Management (CPMS) reviews, one-to-ones, and clear job descriptions (which have all been reviewed as part of the preparation for local government reorganisation). A recognised inconsistent application and variable quality undermines its effectiveness.
- The Improvement and Recovery Plan (IRP) has been monitored through a series of project dashboards tracking progress through the recovery phase. The achievements in this period can be viewed at **Appendix 2**. The Revised IRP agreed in January 2026 whilst refocusing on the next implementation and improvement phase was criticised for not containing explicit milestones. A health check delivered by Newtrality who act as the Programme Director, identified the need to develop delivery plans to support each theme within the plan. Activity in 2026/27 will be focused on prioritising deliverables within the timeframe available.
- As part of the review of the IRP, it was identified that the existing suite of key performance indicators required refreshing to ensure the data provided meets the needs of the Senior Leadership Team, councillors and Commissioners in monitoring the impact of improvement activity.
- The delivery of themes within the IRP are supported by sub-boards involving workstream leads, the relevant lead commissioner and lead councillors. An internal audit of IRP Governance was completed in this period and the findings are yet to be reported
- It was identified within the risk assurance review that individual Service committees should be provided with more risk information in order to undertake scrutiny relating to their service areas.

GOOD GOVERNANCE PRINCIPLE D		
Policy, framework or process	Owner	Last reviewed
Financial Regulations & Standard Financial Procedures	Chief Finance Officer	2026
Contract Standing Orders	Chief Finance Officer	2026
Asset Management Strategy	Group Head Assets	2023

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

- In response to the Best Value Inspection process the Finance team structure was reviewed and additional resources were brought in where there were gaps in specialist technical knowledge. This has enabled the significant progress against the objectives within the Improvement and Recovery Plan with further activity planned in 2026/27 to support budget holders with budget monitoring using the Council's Integral 2 system.
- The resource pressures associated with the preparations for transition to West Surrey are steadily increasing and lead officers have been identified. Further resource planning to be explored in 2026/27 to utilise LGR funding to ensure key officers have capacity to respond to requests from the Surrey First programme within the required timescales and maintain business as usual activity within services.
- In relation to Councillor development beyond the initial induction programme this has not been progressed in 2025/26. Targeted activities for the new Governance Assurance approach and specifically for committees such as the Audit Committee has successfully supported the refocusing of its remit. Regular all member briefings take place fortnightly, and information is shared via the Member Information Pack.
- The e-learning programme manages the updating and roll out of a wide variety of subjects, management training with specific ICT training highlighting aspects of cyber security.
- In response to concerns about capacity pressures within the Senior Leadership Team, a review was undertaken and a revised approach adopted for weekly MAT meetings. An Assurance MAT was also introduced to provide a quarterly focus on monitoring performance across a range of service areas. While further refinements may be required, an immediate reduction in meeting length has been achieved.
- There are areas within the Council where improvement activity has been impacted, and delivery is put at risk by staff absence and vacancies. Recruitment and retention remain challenging during periods of uncertainty. In response, an updated Recruitment and Retention Policy was updated in March, affected teams are diversifying approaches to support under-resourced areas, and proposals are being developed to access agency staff frameworks in order to make the workforce more resilient.
- The Surrey Learn learning and development framework gives officers access to training opportunities with additional sessions focused on Change management, managing resilience and dealing with challenging customers as examples of sessions delivered on location. Staff were given the opportunity to identify courses to upskill them. The focus for 2026/27 will be identifying the skills needed by staff in readiness for their transition to West Surrey and commissioning bite-sized sessions to make attendance easier within busy schedules.
- During 2025/26 a customer webchat system was implemented utilising Artificial Intelligence capabilities and redirecting residents to the relevant online form or connecting them to a member of staff.

GOOD GOVERNANCE PRINCIPLE E		
Policy, framework or process	Owner	Last reviewed
Continuous Performance Management part of Performance Management Framework	Group Head Commissioning and Transformation	2026
Equalities, Diversity and Inclusion Policy	Group Head Commissioning and Transformation	2026
Recruitment and Retention Policy	Group Head Commissioning and Transformation	2026
Staff training	Group Head Commissioning and Transformation	2026
Councillor training	Group Head of Corporate Governance	2026
Scheme of delegation	Group Head of Corporate Governance	2026
Pay policy statement	Group Head Commissioning and Transformation	2025

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

- Financial Procedure Rules together with the Contract Standing Orders, set the framework of internal controls. Internal audit has a programme of work designed to assess how this framework operates in practice and reports to the Audit Committee.
- The Council received a 'Disclaimed Opinion' on the Statement of Accounts 2024-25 from its External Auditors, Grant Thornton, as prior assurance was not in place in relation to the opening balances. The Council received significantly fewer external audit recommendations than for 2023-24 and is making good progress on the journal of rebuilding assurance in the accounts with the aim to achieve a clean audit opinion for the 2026-27 Accounts.
- The Council in February approved a revised treasury management strategy including an investment strategy and Minimum Revenue Provision policy. The strategy demonstrates how the Statutory Direction regarding reducing borrowing and setting a prudent level of MRP are being addressed in practice. The Minimum Revenue Provision (MRP) Policy Statement for 2025/26 increased MRP to a prudent level in line with statutory guidance.
- A robust timetable for processing year end accounting information has been introduced but it is acknowledged will take time to see improved performance.
- The project to refine budget monitoring processes began in 2025/26 to enable direct budget holder scrutiny, monthly reporting to the senior leadership team and timely data to be available for councillors. Training for officers and councillors will be rolled out during May/June 2026. The increased use of the Council's Integral 2 system will improve the quality of forecasting and reporting.
- During 2025/26 a sector expert in risk management was engaged to introduce a governance assurance-based Risk Management Framework and Policy. This was approved by CPRC in January 2026, work is ongoing to implement this.
- A Corporate Assurance Register (previously the Corporate Risk Register) was in place at the start of the year to outline the Council's key strategic risks. While this was previously subject to regular review by officers and councillors, this has lapsed during the transition to the new Governance Assurance framework, resulting in reduced visibility and oversight of strategic risks by Councillors.
- The Council's Emergency Planning and Resilience arrangements are supported by Applied Resilience but with changes in staffing a programme of training has been delivered in 2025/26 to ensure readiness including incident management, internal management and rest centre training.
- Cyber Security Audit in April 2025 confirmed policies were in place and eLearning continues to be rolled out to staff including and simulated phishing exercises to test their knowledge.
- An internal audit in Sundry Debt confirmed the improvements required that had already been identified by the service. A new post has been created to lead on the aged debt process incorporating a lower threshold to implement stop checks and the new Corporate Debt Policy due to be considered by CPRC in April 2026.

- The AGS review process confirmed that further improvements are required to the Council's procurement procedures to expedite processes. Long-standing concerns about the incompleteness of the contracts register have been brought into sharper focus through information requests from Surrey First, and the need for greater rigour in services' contract management has become a higher priority.

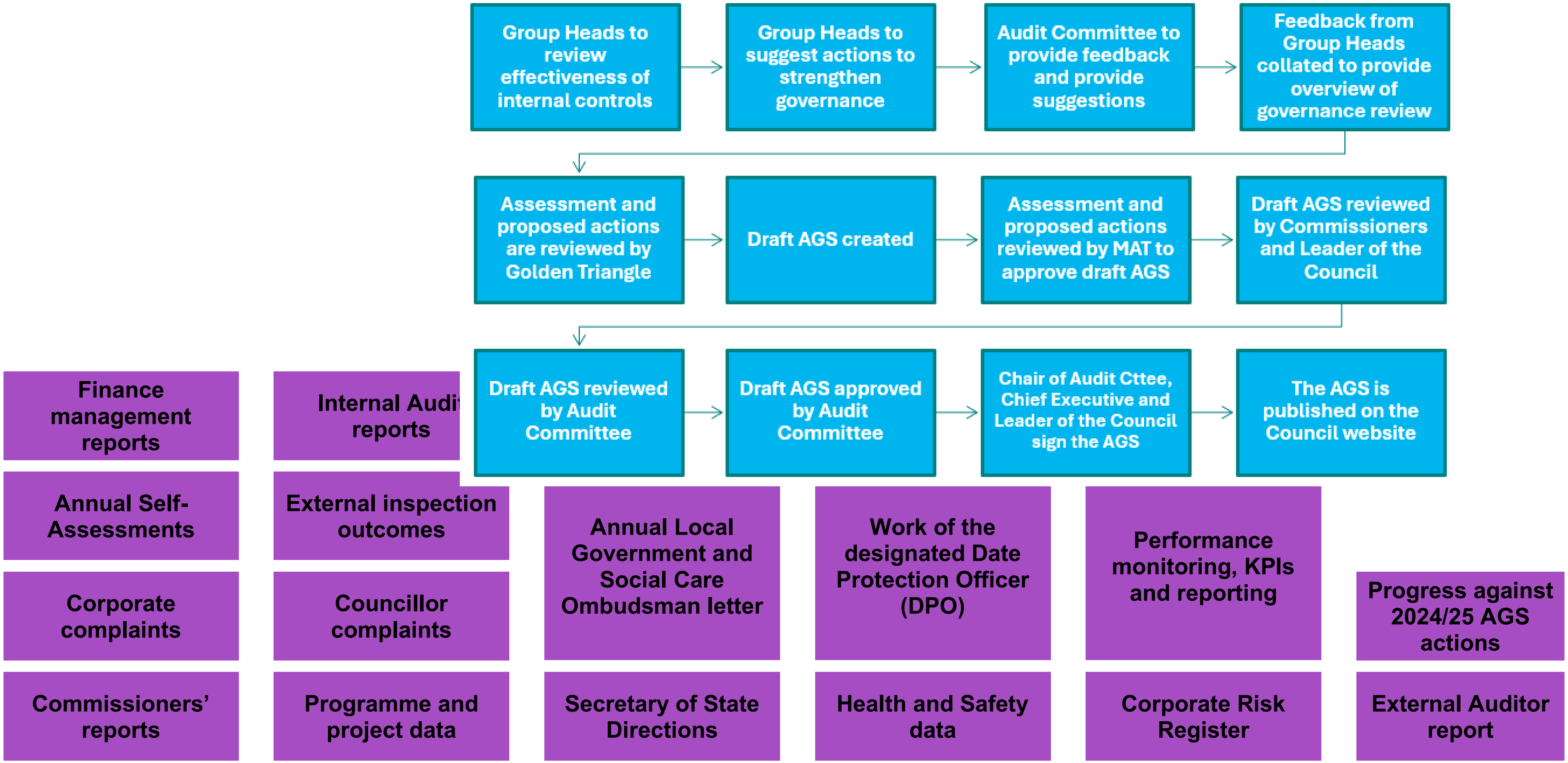
GOOD GOVERNANCE PRINCIPLE F		
Policy, framework or process	Owner	Last reviewed
Governance Assurance Process part of Performance Management Framework	Deputy Chief Executive	2026
Information Governance & Security Policies	Group Head Commissioning and Transformation	2026
Health & Safety Policy	Chief Executive	2026
Confidential Reporting Code (Whistleblowing)	Group Head of Corporate Governance	2025
Sundry Debt Policy	Group Head Commissioning and Transformation	2026

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

- In response to a recommendation from the External Auditor an independent sector expert undertook a self-assessment of the Audit Committee against CIPFA guidance for Audit Committees in 2025/26. A second independent member to be recruited to the Committee and the adoption of the revised terms of reference were agreed at Council in February 2026. An annual report on the Committee's activities in 2025/26 is being prepared for submission to Council.
- Budget reporting continues to be subject to challenging timescales. Although this is a known issue, late reports or late amendments can adversely affect councillors' ability to scrutinise information effectively. Strengthened forward planning and meeting scheduling will be key to reducing reliance on late circulation and improving governance arrangements.
- A further enhancement planned for 2026/27 is the production of budget reports on a monthly basis for the senior leadership team to review the current position and be able to respond promptly to emerging issues.
- A new report template was devised to improve transparency and decision making. Its effectiveness has been periodically reviewed during 2025/26 with further amendments to the template being made in response to feedback. Commissioners' observations in December 2025 indicated that further work was still required to improve both the timeliness and quality of reporting. The AGS review process has reaffirmed the challenges experienced in delivering the required improvements in relation to this objective within the Improvement and Recovery Plan. Officers have noted that the current review, quality assurance and committee timetable processes can significantly extend the time taken to implement activities. While progress has been made providing training and coaching, further work is needed to clarify the refined approval process, including when draft reports should be shared and the requirements of the template, in order to fully embed improvements and better support officers to be ready for Local Government Reorganisation.

GOOD GOVERNANCE PRINCIPLE G		
Policy, framework or process	Owner	Last reviewed
Internal Audit Plan, Annual Internal Audit Opinion and Independent Assessment of Internal Audit	Deputy Head of Southern Internal Audit Partnership (SIAP)	2026
External Auditor's Annual Report	Chief Finance Officer	2026

APPENDIX 1 - The process for development of the AGS for 2025/26 and information considered when developing the AGS



APPENDIX 2 – Progress on 2025/26 Annual Governance Statement improvement actions integrated into the Improvement and Recovery Plan

IRP ACHIEVEMENTS

Improving financial sustainability

- Reset the Minimum Revenue Provision (MRP) policy
- Restructured debt
- Updated the Treasury Management strategy
- Approved new Reserves Strategy
- Set a Medium-Term Financial Strategy
- Set a balanced budget for 2026/2027

Improving governance & assurance

- Reviewed and reset internal MAT meetings and corporate governance
- Improving report writing processes
- Started an overhaul of the 'Council's assurance' and governance (risk) approach
- Updating contract registers
- Approved a new Governance framework for the Audit Committee

Improving commercial, regeneration and housing

- Agreed our social value strategy
- Began work on the Staines Masterplan
- Developing affordable housing Statutory Planning guidance
- Increased staff resources to monitor/manage the demand for emergency housing
- Approved terms for disposal of two assets
- Council approved new Local Plan and Design Code

Strengthening and improving leadership

- Supported the standing up of the Future Surrey Local Government Reorganisation programme
- Employee engagement on the Future Surrey programme
- Responsible, with partners, for defining the Future Surrey Procurement programme
- Developed KPIs to help measure our progress towards transition

SPELTHORNE BOROUGH COUNCIL

APPENDIX 3 – Internal Auditor report to the Audit Committee

- Since April 2024 the Council has been part of the Southern Internal Audit Partnership (SIAP). All activity within the 2025/26 audit plan was concluded and progress on the 2026/27 plan is on track for completion against the short timescales due to transition to West Surrey.
- Every year, the Internal Audit function (SIAP) issues an independent opinion in an annual report concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. This comments on the risks facing the Council and the adequacy of the Council's arrangements to manage those risks. It represents one of the key assurance statements the Council receives.
- A final internal audit opinion on the framework of governance, risk management and control for 2025/26 will be concluded for contribution to and incorporation within the final version of the Annual Governance Statement (2024/25) in June 2026 when it be reported to the Audit Committee.

Annual Internal Audit Conclusion 2025-26
I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are **'reasonable'**, and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

APPENDIX 4 – External Assurance – (Public Pack) Agenda Document for Audit Committee, 21/10/2025 19:00

The Council's external Auditors presented their 2024/25 Value for Money report to Audit Committee on 21st October 2025, and made 5 Key Recommendations aligned with the Improvement and Recovery Plan which were:

KR1: The Medium-Term Financial Plan should be updated to reflect new costs and risks identified by the best value inspection; appointment of Commissioners; and adoption of an Improvement and Recovery Plan. To update the Medium-Term Financial Plan, the Council should include all relevant additional costs associated with changes to minimum revenue provision (MRP); with asset valuations, refurbishments and upgrades; with breaks in commercial income as tenancies come up for renewal; and with the recruitment of skilled resources to lead recovery and improvement. As additional costs are identified, the impact for the Treasury Management Strategy should also be considered.

KR2: Best value inspectors recommended that the Council strengthen its asset function. We agree with this recommendation. Commercial skills and experience of the teams managing investment property and other properties need to be considered. Training, commercial experience and upskilling should be provided where necessary.

KR3: Best value inspectors recommended a comprehensive debt reduction strategy. We agree with this recommendation. The Council should work with commissioners to agree a comprehensive debt reduction strategy that includes consideration of asset lives and length of time over which it is realistic to carry debt. At the same time, the sinking fund model should be revisited regularly as more up to date and accurate information becomes available.

KR4: Progress with delivery of the Internal Audit programme for 2025/26, and implementation of management actions identified by Internal Audit, should be monitored carefully. During 2025/26, the Council should refine data analytics to inform internal audit planning for 2026/27.

KR5: Members and officers need to work collaboratively to deliver the Improvement and Recovery Plan once it is finalised and demonstrate that the Council is leading and overseeing its improvement journey.

APPENDIX 5 – Performance Management Framework

The Council recognises that effective performance management is a key element of good governance, supporting the use of resources, delivery of priorities and outcomes for residents. However, the effectiveness of current arrangements has been inconsistent across the organisation during the year and is a key priority within the Improvement and Recovery Plan.

The Council has a corporate Performance Management Framework in place which is intended to link strategic priorities, service plans, performance indicators and risk management. While this provides a clear structure, its application in practice is inconsistent, and it does not consistently support timely and well-informed decision-making by officers and Councillors.

Performance measures in place include:

- Key Performance Indicators (KPIs) linked to corporate priorities which are currently being refreshed
- Statutory indicators and regulatory requirements
- Local service indicators reflecting operational delivery and transformation activity
- Individual performance monitoring through the Council's Continuous Performance Management (CPM) processes

Although targets and tolerances are defined, data is not collected and reported consistently and as a result, the early identification of underperformance and the implementation of corrective actions is variable across services.

Monitoring, Reporting and Scrutiny

The refocusing of Management Team meetings to introduce a focused assurance session to include service managers in routine oversight arrangements is yet to be established and effective.

The quality, consistency and timeliness of performance information varies, and this can limit the ability of both officers and Councillors to maintain a clear and up-to-date understanding of performance and to apply effective challenge where needed. Recasting meeting and reporting schedules to better reflect data collection is ongoing.

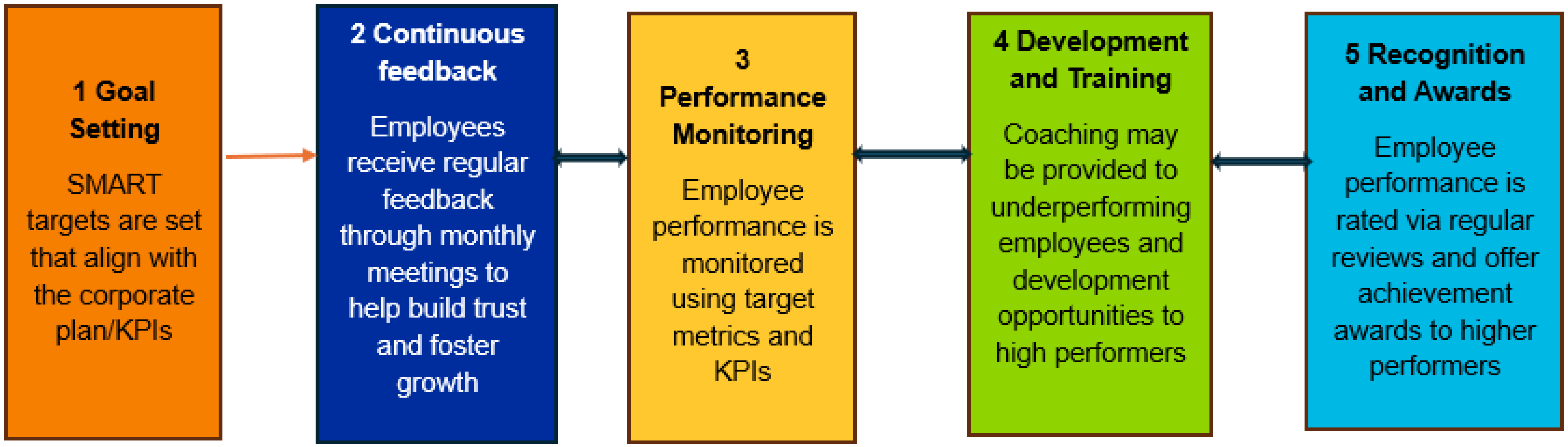
Although Service Committees, the Corporate Policy and Resources Committee and the Audit Committee all receive performance-related information within their respective remits there continues to big significant improvement required in arrangements for them to consistently support robust oversight and accountability.

Integration with Risk and Governance Assurance
Underperformance and control weaknesses are not always systematically considered alongside strategic and operational risks. As a result, the Council does not consistently maintain a joined-up view of performance and risk, limiting its ability to identify, escalate and respond to emerging issues effectively. This disconnect during 2025/26 is being addressed through the new Governance Assurance framework but will require refinement to demonstrate full integration.

Continuous Review and Improvement
Performance information is used to support improvement activity where issues are identified. During the year, there has been a focus on strengthening performance management in key areas, including financial sustainability, service resilience and delivery of the Improvement and Recovery Plan. There are examples of good practice such as the prompt implementation of observations in internal audits. However, follow-through on agreed actions remains variable, and the approach of developing and monitoring action plans to deliver improvements is not applied consistently across the organisation.

Assurance
While performance management arrangements are in place they currently provide limited to moderate assurance and require further development to ensure they operate consistently and effectively across the organisation.

Employee Performance
The structured approach to managing employee performance, which links individual objectives to the Corporate Plan and relevant KPIs, has limited effectiveness in supporting organisational performance and accountability due to inconsistent application and variable quality.



APPENDIX 6 - Governance Assurance Framework

A new Governance Assurance Policy and Framework has been designed to:

- strengthen organisational awareness of good governance,
- clearly define roles and responsibilities for assurance and action,
- provide a consistent methodology for obtaining assurance across the organisation, and
- improve the proactive identification and management of governance risks.

The new Framework places reduced emphasis on numerical risk scoring, which can be inherently subjective, and which often became the focus of discussions about risk on the previous Corporate Risk Register, and instead focuses on:

- the effectiveness of governance arrangements,
- the adequacy of internal controls, and
- the strength and quality of assurance.

This enables risks to be managed through strong systems, clear accountability, effective decision making and robust oversight, while providing Members and stakeholders with confidence that appropriate arrangements are in place to support delivery of the Council's objectives.

Governance Assurance Policy and Framework

The Framework explains how the Council obtains assurance over the effectiveness of its governance arrangements and how it manages the threats, challenges (risks) and opportunities it faces. In particular, the Framework:

- Sets out the Council's key governance assurance areas,
- Defines roles and responsibilities for assurance ownership and delivery,
- Establishes assessment, monitoring and review processes,
- Explains how assurance is reported to Members, and
- Identifies required training and development.

It covers all enabling and controlling strategies, policies and procedures, ensuring that resources are used effectively, efficiently and economically, and supports delivery of the Council's Improvement and Recovery Plan.

Development and implementation of the various elements of those arrangements have continued through to Quarter 4 of 2025/26 with the new approach due to take full effect from April/May 2026.

Roles	Responsibilities
Service Committees	Service Committees now have a strengthened role in scrutinising governance and risk matters within their remit. In particular, they: • Scrutinise detailed governance and risk assurance reports, and • Receive six-monthly assurance updates relevant to their portfolio areas.
Audit Committee	The Audit Committee focuses on the overall effectiveness of the Council's governance, risk management and internal control arrangements. It provides assurance that: • Key governance and risk areas are clearly owned and effectively managed, • Governance arrangements are implemented, operating and monitored effectively, and • Officers and services are held to account for delivery. To support this role, the Committee will receive: • Regular governance assurance reports, and • In-depth "deep dive" presentations from Assurance Owners on specific governance areas and key strategic risks. These sessions will enable the Committee to test controls, scrutinise action plans and obtain assurance on implementation and ongoing monitoring.
Management Team Plus (MAT+)	MAT+ is responsible for ensuring that the **Governance Assurance Register** reflects the Council's most significant governance risks and strategic concerns. In particular: • Strategic risks are reviewed quarterly, • Each governance assurance area is owned by MAT+, • Individual risks are assigned to named Assurance Owners, and • Actions are allocated to senior managers best placed to deliver improvements. This leadership-led approach demonstrates a strong organisational commitment to embedding a positive and mature governance and assurance culture.

Governance Assurance Register/Risk Register

The presentation, structure and content of the Council's Risk Register have been revised and re-established as a Governance Assurance Register. This reflects the shift towards identifying weaknesses, gaps or non-compliance within governance arrangements and internal controls, rather than focusing solely on likelihood and impact scoring. During the transition from a Corporate Risk Register to a Governance Assurance Register, the key risks to the Council have been kept under review by Risk/Governance owners, and MAT+, with regular updates on transitional arrangements provided to the Audit Committee.

All MAT, Service Committee and Council Reports contain a section on Risk Implications, with report authors required to outline the key risks associated with their proposals and any mitigation measures.

APPENDIX 7 – Bodies SBC works closely with and/or whose board SBC nominates members to

There are a number of organisations which are independent from the Council but have an impact on its service areas.

In order that the council can maintain effective partnerships with a number of these organisations, representatives of the council, usually elected councillors, sit on the various committees and forums that are responsible for them.

To find the contact details for the council's representative on a particular outside body please follow the relevant link.

- A2Dominion Customer Insight Panel
- Ashford and St Peter's Hospitals NHS Foundation Trust
- Citizens Advice Runnymede and Spelthorne
- Council for the Independent Scrutiny of Heathrow Airport
- Heathrow Local Community Forum
- Heathrow Noise and Airspace Community Forum
- PATROL (Parking and Traffic Regulations Outside London) Adjudication Joint Committee
- Runnymede and Spelthorne SHMA - Joint Member Liaison group
- South East Employers
- South West Middlesex Crematorium Board
- Spelthorne Mental Health Association Management Committee
- Spelthorne Safer, Stronger Partnership Board
- Strategic Aviation Special Interest Group
- Sunbury Fuel Allotment
- Surrey Environment Partnership
- Surrey Museums Partnership
- Surrey Police and Crime Panel
- Surrey Traveller Community Relations Forum
- Sustainability and Transformation Plan Stakeholder Reference Group
- Thames Landscape Strategy Partnership Executive Review Board