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

Narrative to the 2017/18 Statement of Accounts

Produced by Finance finance@elmbridge.gov.uk July 2018

Narrative for 2017/18

Summary of Financial Performance in the year

In the financial year to 31 March 2018, the Council delivered its services within the approved budget of £16,365,890. This is in accordance with the Council's medium term financial strategy, and robust financial management of the Council's services has enabled further savings to be made during the year.

The Council's General Fund balance remains at £4 million as at 31 March 2018. The Council's financial health has continued to strengthen and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term, with risk on BREXIT and uncertainty around the current national political environment and its priorities and, in particular, the Business Rates Retention Scheme and the Fair Funding Review.

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

Financial Planning

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

The objectives of the Council's financial strategy are to:

- Prioritise resources to align spending plans with the Council's vision and strategic priorities
- Provide a robust framework to assist the decision-making process
- Maintain a balanced budget position, and to set a medium and long term financial plan maintaining and strengthening that position
- Continue to deliver value for money to our residents
- Exercise probity, prudence and strong financial control
- Manage risk, including strengthening reserves & levels of investment income
- Continually review budgets to ensure that resources are targeted on key priorities

Non-Financial Performance

A summary of the results of the 2016 Resident Panel survey are set out in the table below:

	2014 %	2015 %	2016 %
Residents agree that the Council provides Value for Money	**73**	**75**	**73**
Satisfaction with Individual Services			
Environmental Services (includes noise nuisance, food hygiene pest control, licensing and removal of graffiti)	85	73	76
Waste Collection, recycling, refuse and food collection	n/a *	89	86
Street Cleaning	n/a *	75	66
Planning Services	44	41	43
Community Support Services	29	32	33
Leisure and Cultural Services	68	63	64
Housing Services	13	18	17
Local Taxation	78	77	77
Overall Satisfaction with the way Elmbridge runs its services	**88**	**88**	**86**
Top three Priorities identified for the Council for the next five years were:			
Protecting the character of the area from building development	57	62	63
Working with the Police to keep crime and anti-social behaviour low	50	46	45
Minimise council tax	33	35	33

* - These questions were not part of the survey in 2014

In September 2016, the bi-annual Residents' Panel survey was sent to 1,548 panel members. Responses were received from 535 panel members, giving a response rate of 35% (2015 – 38%, 2014 – 43%. The purpose of the survey is to obtain residents view of the Council's performance and priorities of the residents and taxpayers of the Council, the next Survey will be undertaken in 2018.

The top priorities were ascertained by asking what issues were most important for residents, with respondents allowed to tick up to three questions from a selection of thirteen.

Further details of the Residents Panel Survey can be found on the Council's website.

Budget and Actual Expenditure 2017/18

Budget proposals for 2017/18 were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2016 and February 2017, with the final budget being approved in February 2017.

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

The 2017/18 Budget incorporated savings and reductions of £1.1 million. The main components of the budget for 2017/18, and how they compare with actual income and expenditure for the year are:

Portfolio	2016/17 Actual £'000	2017/18 Original Budget £'000	2017/18 Actual £'000	Variance to Original Budget £'000	Variance to Original Budget %
Community Development	401	385	314	(71)	18
Corporate Development	2,654	2,620	2,459	(161)	(6)
Environment and Economy	5,449	5,348	5,437	89	2
Highways and Transport	(1,490)	(1,602)	(2,019)	(417)	(26)
Housing	2,056	2,544	1,956	(588)	(23)
Leisure and Culture	4,519	4,701	4,184	(517)	(11)
Licensing Committee	126	203	215	12	6
Resources	425	1,060	811	(249)	(23)
Social	2,196	2,904	2,480	(424)	(15)
Planning Committee	1,785	1,869	2,453	584	31
	18,121	**20,032**	**18,290**	**(1,742)**	**(9)**
Asset Rentals	(2,333)	(2,830)	(2,830)	-	
Interest on Balances	(692)	(607)	(667)	(60)	
Contribution From Interest Equalisation Reserve	(558)	(338)	(338)	-	
Purchase of Investment Property	1,584	-	-	-	
Transfer from Council Tax Freeze Grant Reserve	(307)	(307)	(307)	-	
New Homes Bonus	0	(1,889)	(1,894)	(5)	
Contribution to New Homes Bonus / Property Acquisition Reserve	0	1,522	1,527	5	
To / (from) Earmarked Reserves	523	75	1,386	1,311	
Transitional Settlement Grant	(256)	(190)	(190)	-	
Capital Financing	597	898	1,389	491	
	16,679	**16,366**	**16,366**	**-**	

An analysis of the £1.0 million underspend (this represents approximately 1% of Council's gross budget) is as follows:

	£'000
Employee related	(0.4)
Operating Expenses	(0.1)
Income (incl. new Property Purchases)	(0.6)
Other	0.1
Transfer to Property Acquisition Reserve	**(1.0)**

Budgets are monitored on the following basis:

i. Monthly - Departmental monitoring of all income and expenditure and a summary of pre-determined major budgets (particularly income streams) is reported to Council Management Board (CMB).

ii. First and second quarters – The Cabinet receive a budget monitoring report by portfolio along with key financial indicators.

iii. Third Quarter – A revised forecast for the year is produced and reported to CMB and Cabinet.

iv. Year end – The final accounts are produced.

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

Accounts for 2017/18

The Statement of Accounts

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

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

The Council's Statement of Accounts for the year 2017/18 includes:

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

The Audit Opinion and Certificate
This is provided by Grant Thornton following the completion of the annual audit by July of the following financial year.

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

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

Core Financial Statements

The Movement in Reserves Statement

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

The Comprehensive Income and Expenditure Statement

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

The Balance Sheet

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

31 March 2017 £’000	Balance Sheet Summary	31 March 2018 £’000
154,904	Long Term Assets	191,314
56,644	Current Assets	84,449
(21,612)	Current Liabilities	(21,363)
(79,451)	Long Term Liabilities	(104,538)
110,485	**Net Assets**	**149,862**
	Useable Reserves	
4,000	General Fund	4,000
17,427	Earmarked Reserves	20,305
10,735	Community Infrastructure Levy (CIL)	12,137
12,177	Capital Receipts Reserve	20,498
11,709	Capital Grants Unapplied	14,691
56,048	**Total Useable Reserves**	**71,631**
54,437	Unuseable Reserves	78,231
110,485	**Total Reserves (Net Worth)**	**149,862**

The Council's working capital ratio has increased (current assets / current liabilities) at 31 March 2018 to 4.0 (2.6 at 31 March 2017). The working capital provides an indication of the Council's ability to pay its debts within one year. The higher the ratio, the more liquid the organisation. An organisation would normally anticipate a ratio higher than 1.0.

The Cash Flow Statement

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

Notes to the Core Financial Statements

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

The Collection Fund Statement

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

In 2017/18 the Council joined a pooling arrangement with other Surrey District Councils, Surrey County Council and the London Borough of Croydon for Business Rates. As a result, the Council stands to gain an additional share of the pooling arrangement which would otherwise have been paid to Central Government. Due to the complexities of the way the Business Rates Collection Fund operates this will only be available to spend in 2019/20. The Council was not a member of a Pool in 2016/17.

Material Assets and Liabilities

The Council purchased two large units of industrial/retail investment property during 2017/18. The units in Weybridge and Esher cost £17.6m and £15.0m respectively including stamp duty and other fees and costs. The properties are expected to produce a rental income yield of between 4%-5%.

As part of the contract to sell a surplus site at Stompond Lane the Council is committed to exercising a 'call and put option' within the Agreement to acquire a 500 square metre children's nursery to enable the shell and core of the building to be completed by the developer. The Council has budgeted £1.774m to purchase the property on completion, inclusive of stamp duty and other fees and costs.

The Council has entered into a contract for approximately £1.6m with Kier Construction Limited for the refurbishment of a car park at Drewitt's Court, Walton-on-Thames. Approximately £300,000 had been spent at 31st March 2018 and the remaining expenditure of £1.3m will be incurred during 2018/19.

Pensions

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £59.2 million, which reduces the total reserves of the Council by some 29%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

Significant Changes in Accounting Policies and Requirements

There have been no significant changes in Accounting Policies and requirements for 2017/18.

Borrowing and Cash Flow

The Council has £42.0 million of borrowing outstanding at 31 March 2018 (£17.2 million – 31 March 2017) from the Public Works Loan Board (PWLB). An additional £25.5 million PWLB borrowing was arranged during the year, and £0.7 million repaid.

The Council has sufficient resources to fund its Capital programme but may decide to borrow based on interest rates and regulations. The Council is not allowed to borrow to fund revenue expenditure but has a balanced budget with its expenditure being financed from fees and charges, rental income from property holdings, government grants and Council Tax, although the grant from Central Government (Business Rates) is expected to significantly reduce by 2019/20.

Capital Expenditure

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

2016/17 £'000		**2017/18 £'000**
14,676	Investment Properties	32,560
11,074	Sports Hub, Waterside Drive	6,710
-	Waste Vehicles	3,336
308	Other Public Building Acquisition and Enhancements	1,797
563	Private Sector Housing Grants	542
153	Affordable Housing Grants / Loans	426
3,268	Grant Expenditure - CIL / ECIF / Other	635
453	Other	91
383	IT Development/Investment	390
124	Community Transport / Centre Enhancements	309
103	Car Park Improvements	723
187	Playground Refurbishments / Tennis Courts	285
31,292	**Total**	**47,804**

The total capital receipts received in the year were £26.1m including £23.2m for the sale of land at Stompond Lane, Walton-on-Thames.

The Council set its capital programme in February 2018 with spending plans being funded as follows:

	Total Funds Available at 31 March 2018 £'000	**Budgeted Spend 2018/19 £'000**
Capital Receipts	20,498	4,003
Capital Grants	14,691	9,578
Revenue Resources	1,647	1,647
Borrowing*	-	10,000
	36,836	25,228

*Borrowing is subject to suitable investment/asset development opportunities being identified.

Significant Provisions or Contingencies and Material Write-Offs

Except in relation to appeals against Business Rate Valuation, there have been no material provisions or write-offs made during the year. The revaluation exercise carried out for 1 April 2017 raised concerns in relation to outstanding appeals for the 2010 Valuation List for business rates. As a result, a specific provision has been made for a number of large properties. In addition, these revaluations has resulted in a significant increase in the Councils rateable value, a new process for challenging these values has been introduced, which has increased the uncertainty relating to the appeals. As a result, the provision has been increased by £1.4million.

Economic Climate

In setting the 2017/18 budget there was still uncertainty about the ongoing impact on income streams such as car park income, council tax collection and planning fees, as a result of this uncertainty and any impact from BREXIT. However, overall the total income received from fees and charges during the year exceeded the budget. The income received from fees and charges is very much dependent on the disposable income of individuals and therefore remains an area of concern which will be closely monitored.

The adequacy of balances and reserves to withstand future financial pressures

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

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

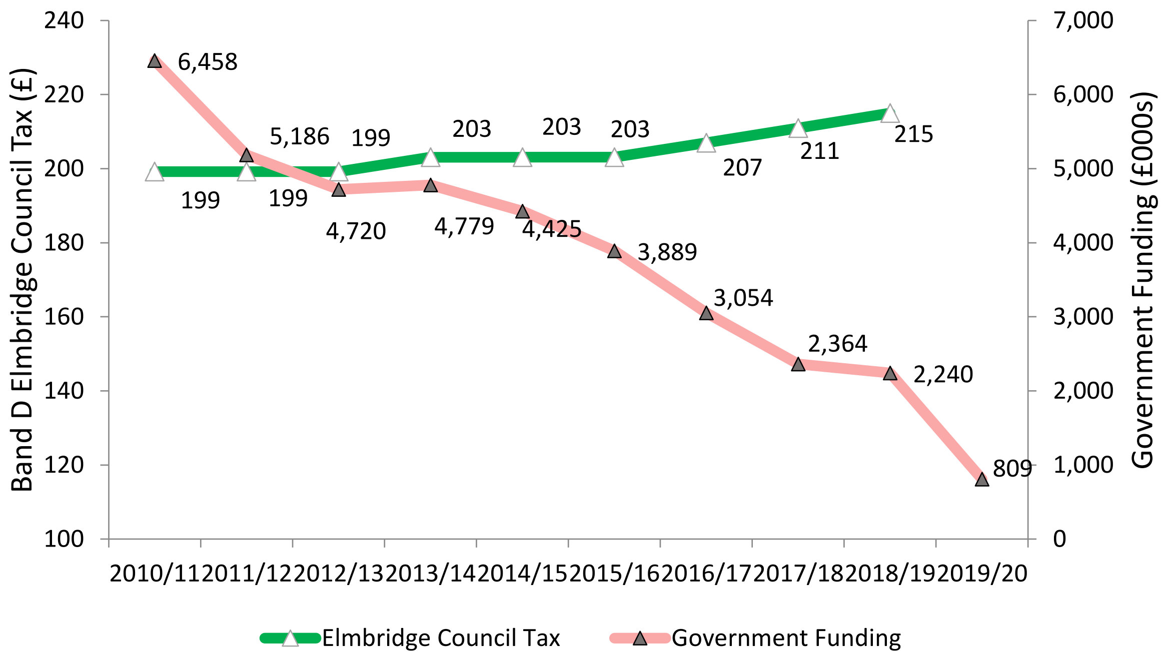
The Council is determined to address the financial challenges presented by the wider economic difficulties and stringent resource constraints by utilising focused risk management and by embracing all opportunities available to deliver more effective and efficient services for our community.

The forecast over the next two years is that in order to have a balanced budget the Council will need to find savings of approximately £3 million based on the Medium Term Financial Strategy approved by Council in February 2018. The Council manages financial risk by maintaining adequate reserves to help ensure that the medium-term policy programme is sustainable, in 2017/18, the 2018/19 Budget includes the use of £0.2 million of reserves.

A summary of the Medium Term Financial Strategy is set out below:

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Projection £'000	2020/21 Projection £'000
Net Budget Requirement to Provide Services	**17,911**	**17,493**	**17,120**	**18,170**
Expenditure				
Growth/Spending Pressures	905	907	250	250
Reduction in External Funding	-	-	200	200
Inflation on Contracts and Pay	537	421	600	800
Approved Savings/Fees & Charges	(1,860)	(1,701)	-	-
Total Budget Requirement	**16,366**	**16,805**	**18,020**	**19,270**
Available Funding (Council Tax, Government Grants and Reserves)	**16,366**	**16,805**	**16,446**	**16,177**
Cumulative Budget Gap	**0**	**0**	**1,574**	**3,093**
Annual Funding Gap	**0**	**0**	**1,574**	**1,518**

Central Government Funding and the Council Tax between 2010/11 and 2019/20



- the Council's Council Tax increase is 8% over 8 years;
- Central Government Funding cuts are 87% by 2019/20;
- inflation (CPI) is 19% over 8 years.

Organisational Overview and External Environment

Our Five-Year Vision (2018-2023) has been developed from extensive consultation with a range of stakeholders:

"A responsive and effective Council, protecting and promoting the interests of residents and businesses and safeguarding our environment, while maintaining a community for all."

Our priorities support our Vision and are reviewed every year. For 2018/19 they are:

- **Character and Environment** – we will make Elmbridge a sustainable and attractive place
- **Quality Services –** we will work in partnership to ensure services are efficient, effective and offer value for money
- **Economic Development –** we will facilitate economic growth, including improved infrastructure and housing
- **Community Wellbeing –** we will listen to all of our residents and support communities

For more detail on the Council Objectives and Vision, please see the Council Plan 2018/19.

Operational Models

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

- the provision of services model – these services are provided at a net cost to the Council and must be provided under statute, such as Planning Services;
- the contribution to services model – some services within the Council contribute to other services and reduce the Council Tax requirement, these include off-street car parking and investment properties;
- the breakeven model – some services are required by statute to have no impact on the Council Tax, such as taxi licensing;
- the Building Control Mutualisation where Elmbridge Building Control Services Limited provides the Council's building control services and in which the Council owns a 20% stake;
- the on-street car parking model – on-Street Car Parking is a function of SCC and the Council agree to operate the service on their behalf, realising synergies with the off-street parking service, the service has a zero-net cost to the Council; and
- the Joint Waste Partnership model – the Council partners with other Surrey Districts in order to realise efficiencies in providing the Waste Collection service.

Risks and Opportunities

Risks

The Council's Risk Management Strategy requires to the Corporate Strategic Risk Register to be reviewed on an annual basis. The Register contains details of major identified risks, which could affect the Council's ability to achieve its priorities during the financial year. These include:

- A reduction in/elimination of grant funding from external bodies including Surrey County Council
- Fluctuations in the property market affecting rental income generated from the Council's property portfolio.
- Adverse service planning conditions and/or significant loss of income resulting from changes in national economic conditions beyond the Council's control including the effects of welfare reforms, government and other external funding and other legislation and regulations.

For more information on identified risks please see the Council's Strategic Risk Register.

Opportunities

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

- Establishing a housing company to provide affordable social housing in Elmbridge.
- Purchasing commercial properties to generate rental income and contribute towards minimising the Council Tax requirement.
- To further develop joint working and collaboration within Surrey, including maximising the financial benefit of the Business Rate Retention Scheme.
- Pursuing a prevention agenda that focuses on empowering individuals and communities to engage in healthy behaviours to reduce their risk of developing chronic diseases, and so relieving pressures on public spending.
- Promoting independent living and reduce isolation.

Elmbridge
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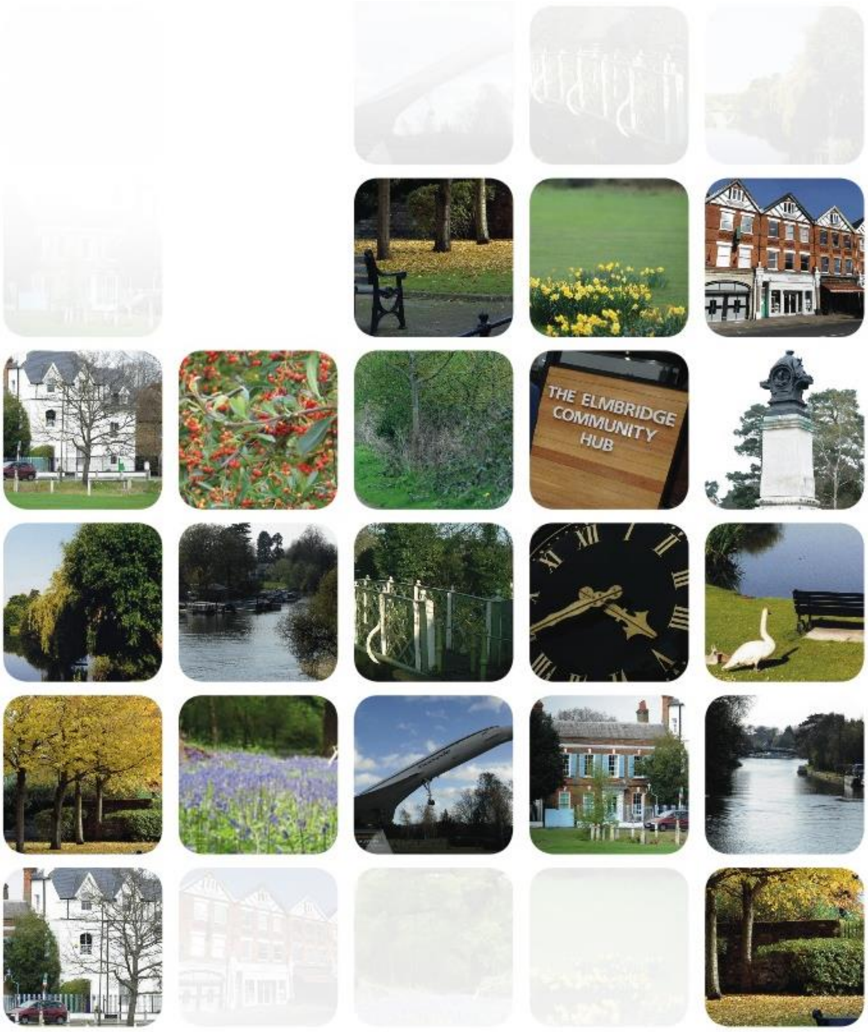
Statement of Accounts
Year Ended 31 March 2018



Produced by Finance

July 2018

Contents	Page No.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the responsibility of Chief Financial Officer is allocated to the S151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Approved by Council

The Statement of Accounts was approved at a meeting of the Audit & Standards Committee on 25 July 2018.

Councillor Coomes
Chair of Audit & Standards Committee
25 July 2018

Responsibilities of S151 Officer as Chief Financial Officer

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

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

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

The S151 Officer has also:

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

Certificate of Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2018 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2015.

Sarah Selvanathan
Strategic Director & Deputy Chief Executive (S 151 Officer).
27 July 2018 (audited version).

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Elmbridge Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:
- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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

Who we are reporting to
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Strategic Director and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director and Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Strategic Director and Deputy Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts, Narrative for 2017/18 Statement of Accounts and Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained

through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Strategic Director and Deputy Chief Executive and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 2, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director and Deputy Chief Executive. The Strategic Director and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Strategic Director and Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director and Deputy Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Sarah L Ironmonger

Sarah L Ironmonger
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
2nd Floor, St Johns House, Haslett Avenue West, Crawley RH10 1HS
27 July 2018

Movement in Reserves Statement

2016/17	General Fund Reserve £'000	Earmarked Revenue Reserves £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2016 carried forward	4,000	24,190	**28,190**	11,395	9,920	**49,505**	54,167	**103,672**
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(922)	3,972	**3,050**	-	-	**3,050**	3,763	**6,813**
Adjustments between accounting basis and funding basis under regulation (Note 7)	922	-	**922**	782	1,789	**3,493**	(3,493)	**-**
Increase (Decrease) in 2016/17	**-**	3,972	**3,972**	782	1,789	**6,543**	270	**6,813**
Balance at 31 March 2017 carried forward	**4,000**	**28,162**	**32,162**	**12,177**	**11,709**	**56,048**	**54,437**	**110,485**

2017/18	General Fund Reserve £'000	Earmarked Revenue Reserves £'000	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2017 carried forward	4,000	28,162	**32,162**	12,177	11,709	**56,048**	54,437	**110,485**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	26,411	4,280	**30,691**	-	-	**30,691**	8,686	**39,377**
Adjustments between accounting basis and funding basis under regulation (Note 7)	(26,411)	-	**(26,411)**	8,322	2,981	**(15,108)**	15,108	**-**
Increase (Decrease) in 2017/18	**-**	**4,280**	**4,280**	**8,322**	**2,981**	**15,583**	**23,794**	**39,377**
Balance at 31 March 2018 carried forward	**4,000**	**32,442**	**36,442**	**20,499**	**14,690**	**71,631**	**78,231**	**149,862**

The movement in reserves statement shows the position at the 31 March 2018 for the movements between reserves in accordance with the requirements of the Code of Practice. Detailed analysis of the movement in Earmarked Reserves is found in note 8 to the Statement of Accounts.

Comprehensive Income and Expenditure Statement (CIES)

2016/17 Gross Expenditure £'000	2016/17 Gross Income £'000	2016/17 Net Expenditure £'000		Note	2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000
			Service Expenditure				
621	152	469	Community Development		451	111	340
2,925	112	2,813	Corporate Development		2,724	38	2,686
7,900	2,296	5,604	Environment		6,925	1,523	5,402
2,900	4,347	(1,447)	Highways and Transport		2,435	4,372	(1,937)
45,683	42,787	2,896	Housing		45,862	43,289	2,573
6,327	1,381	4,946	Leisure and Culture		7,952	3,015	4,937
541	376	165	Licensing Committee		636	325	311
8,375	1,906	6,469	Resources		4,022	2,040	1,982
4,476	1,950	2,526	Social		4,820	1,794	3,026
6,788	8,047	(1,259)	Planning		5,412	7,296	(1,884)
86,536	**63,354**	**23,182**	**Cost of Services**		**81,239**	**63,803**	**17,436**
62	-	62	Other Operating Expenditure	9	49	23,042	(22,993)
-	1,241	(1,241)	Gains on Sale of Former Council Houses		-	311	(311)
496	1,585	(1,089)	Financing and Investment Income and Expenditure	10	992	3,584	(2,592)
19,425	43,389	(23,964)	Taxation and Non-Specific Grant Income and Expenditure	11	23,888	46,119	(22,231)
106,519	**109,569**	**(3,050)**	**(Surplus) or Deficit on Provision of Services**		**106,168**	**136,859**	**(30,691)**
		(15,664)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	24.2			(6,815)
		590	Impairment Losses on Non-Current assets charged to the Revaluation Reserve				-
		11,311	Re-measurement of Net Defined Pension Liability	40.2			(1,871)
		(3,763)	**Other Comprehensive Income and Expenditure**				**(8,686)**
		(6,813)	**Total Comprehensive Income and Expenditure**				**(39,377)**

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

On 27 March 2000 the Council transferred its housing stock to the Elmbridge Housing Trust. The agreement between the Council and the Elmbridge Housing Trust required that a proportion of the proceeds derived from the sale of the council houses transferred to the Trust under Right to Buy arrangements would in future years be passed to Elmbridge Borough Council. In 2017/18 there were no receipts due to be paid to the Council (2016/17 £1,003,000 after taking account of the cost of sales). The income can only be used to finance capital expenditure, or repay debt, and has been transferred to the Capital Receipts Reserve.

Balance Sheet as at 31 March 2018

2016/17 £'000		Notes	2017/18 £'000
92,268	Property Plant & Equipment	12	**107,007**
1,292	Heritage Assets	13	**1,424**
42,700	Investment Properties	14	**76,515**
1,342	Intangible Assets	15	**1,268**
16,518	Long Term Investments	16	**4,029**
784	Long Term Debtors		**1,071**
154,904	**Long Term Assets**		**191,314**
25,044	Short Term Investments	16	**62,775**
68	Inventories		**28**
9,223	Short Term Debtors	18	**9,749**
21,829	Cash and Cash Equivalents	19	**11,897**
480	Assets Held for Sale		**-**
56,644	**Current Assets**		**84,449**
(21,122)	Short Term Creditors	21.1	**(20,423)**
(490)	Short Term Loans	21.2	**(940)**
(21,612)	**Current Liabilities**		**(21,363)**
(58,651)	Net Liablity Arising from the Defined Benefit Obligation	40	**(59,181)**
(4,065)	Provisions	39	**(4,251)**
(16,735)	Long Term Borrowing	43.2	**(41,106)**
(79,451)	**Long Term Liabilities**		**(104,538)**
110,485	**Net Assets**		**149,862**
56,048	Useable Reserves	23	**71,631**
54,437	Unusable Reserves	24	**78,231**
110,485	**Total Reserves**		**149,862**

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

Cash Flow Statement

2016/17 £'000		Notes	2017/18 £'000
(3,050)	Net (surplus) / deficit on the provision of services		**(30,691)**
(19,671)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25.1	**(7,711)**
7,376	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25.2	**32,630**
(15,345)	Net cash flows from operating Activities		**(5,772)**
23,619	Investing Activities	26	**40,159**
(14,868)	Financing Activities	27	**(24,455)**
(6,594)	Net (increase) / decrease in cash and cash equivalents		**9,932**
(15,235)	Cash and cash equivalents at the beginning of the reporting period		**(21,829)**
(21,829)	**Cash and cash equivalents at the end of the reporting period**	19	**(11,897)**

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.

The decrease in the cash and cash equivalents arises principally from property purchases during the financial year, net of new external borrowing.

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which Regulations require to be prepared in accordance with proper accounting practices. These practices, under Section 21 of 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

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

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

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

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

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

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

1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council cannot raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

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

1.6 Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

1.7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve constructed using the constituents of the iBoxx AA corporate bond index. This is then adjusted to reflect the 'term' of the benefit.

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

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

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

<u>Service cost comprising:</u>

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

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the CIES as part of the service segments;

- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

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

- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities to the extent not accounted for as an expense.

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

Discretionary Benefits

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

1.7 Events after the Reporting Period

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

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

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

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

1.8 Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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 the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, 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.

The Council has no soft loans. When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisation with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.9 Government Grants and Contributions

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

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

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

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

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

1.10 Heritage Assets & Memorials

Heritage Assets

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

Memorials

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

1.11 Intangible Assets

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

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

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

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

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

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

1.12 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and has no requirement to prepare group accounts. However, in August 2015 the Council established a mutual for the Building Control Service in which it owns 20% of the share equity with the balance being owned by the employees of the mutual.

1.13 Inventories and Long-Term Contracts

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

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

1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

1.15 Leases

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

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.16 Overheads and Support Services

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

1.17 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following basis:

- other buildings, plant, furniture and equipment and infrastructure – straight-line allocation over the useful life of the property as estimated by the valuer, or the estimated useful life of the other assets;
- vehicles – reducing balance - a percentage of the value of each vehicle, as advised by a suitably qualified officer; and
- infrastructure – no depreciation.

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. It is then carried at the lower of this amount and fair value less costs to sell. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating expenditure in the CIES. Gains in fair value are recognized only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

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

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

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

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

1.20 Revenue Expenditure Funded from Capital under Statute

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

1.21 Value Added Tax

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

2. Exceptional Item

There are no exceptional items for 2017/18.

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

For 2018/19 the accounting policy changes which may apply and that should be reported are:

- IFRS 9 *Financial Instruments.*
- IFRS *Revenue from Contracts with Customers* including amendments to *IFRS 15 Clarifications to IFRS Revenue from Contracts with Customers.*
- Amendments to IAS 12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 *Statement of Cash Flows*: Disclosure Initiative.

Based on the position at 31 March 2018 there would be no material impact on the Council's 2017/18 accounts and estimating the future impact would be impracticable.

4. Critical Judgements in applying Accounting Policies

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

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

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

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

The items in the Council’s Balance Sheet at 31 March 2018 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £127,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £14million. However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £5-8million. Similarly, a 0.5% increase in the salary rate or in the pension increase rate would increase the liability by £2million and £12million respectively.
Provision for Appeals Business Rates	Estimation of the likelihood of successful appeals against the valuations calculated by the Valuation Office	The effect of a 1% (currently an allowance of 6% of the rateable value) change in the assumption for appeals against the 2017 valuations would result in a £0.6million change in the provision, of which Elmbridge’s provision would change by £0.24million.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 23 May 2018. 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 at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

One event occurred after 23 May 2018 that provided evidence about conditions existing at 31 March 2018. On 21 June 2018 the Council received notification of a Right-to-buy sale that completed on 5 March 2018. The Council’s share of the sale is £251,031. The amount involved is not material and so the statements have not been adjusted to reflect this receipt.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2016/17	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions reserve)	(957)			957
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	(559)			559
Holiday pay (transferred to the Accummulated Absences Reserve)				-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	(4,459)		(3,869)	8,328
Adjustments between Revenue and Capital Resources				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	1,345	(1,345)		-
Statutory provision for the repayment of debt (transfer from the CAA)	387			(387)
Capital Expenditure financed from revenue balances (transfer to the CAA)	4,642			(4,642)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		723		(723)
Application of capital grants to finance capital expenditure	2,164		2,080	(4,244)
Cash payments in relation to deferred capital receipts		(160)		160
Other				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	74			(74)
Revenue expenditure funded from capital under Statute	(4,018)			4,018
Movements in the market value of Investment Properties	459			(459)
Total Adjustments	**(922)**	**(782)**	**(1,789)**	**3,493**

2017/18	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions reserve)	(2,401)			2,401
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	(910)			910
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	(758)		(5,341)	6,099
Adjustments between Revenue and Capital Resources				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	25,957	(25,957)		-
Statutory provision for the repayment of debt (transfer from the CAA)	680			(680)
Capital Expenditure financed from revenue balances (transfer to the CAA)	2,464			(2,464)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		17,784		(17,784)
Application of capital grants to finance capital expenditure	1,331		2,360	(3,691)
Cash payments in relation to deferred capital receipts		(149)		149
Other				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	436			(436)
Revenue expenditure funded from capital under Statute	(1,643)			1,643
Movements in the market value of Investment Properties	1,255			(1,255)
Total Adjustments	**26,411**	**(8,322)**	**(2,981)**	**(15,108)**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2017/18.

	Note	Balance at 31 March 2016	Transfers In	Transfers Out	Balance at 31 March 2017	Transfers In	Transfers Out	Balance at 31 March 2018
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Contingency & Rent Risk Reserve	a	**1,575**	-	-	**1,575**	-	-	**1,575**
Strategic Reserve (LABGI)	b	**1,101**	-	-	**1,101**	-	-	**1,101**
Corporate Restructure - Initiatives	c	**698**	-	-	**698**	-	-	**698**
Repairs and Maintenance	d	**175**	85	(10)	**250**	500	(152)	**598**
Capital Expenditure	e	**657**	80	(89)	**648**	80	(397)	**331**
Performance Reward (LPSA)	f	**321**	-	(5)	**316**	-	(47)	**269**
Grant Equalisation Reserve	g	**1,771**	-	(307)	**1,464**	-	(307)	**1,157**
Interest Equalisation	h	**1,312**	-	(558)	**754**	-	(338)	**416**
Approved Carry Forward Requests	i	**492**	587	(493)	**586**	672	(586)	**672**
Car parking Maintenance	j	**150**	150	-	**300**	150	(160)	**290**
New Homes Bonus Reserve	k	**1,023**	2,972	(2,745)	**1,250**	1,527	(1,478)	**1,299**
Elmbridge Civic Improvement Fund	l	**323**	50	(123)	**250**	-	(72)	**178**
Community Safety	m	**493**	-	(54)	**439**	-	(28)	**411**
Miscellaneous	n	**707**	51	(34)	**724**	49	(40)	**733**
Housing Reforms	o	**450**	-	(21)	**429**	404	(2)	**831**
Planning Delivery Grant	p	**243**	-	(69)	**174**	-	(45)	**129**
Property Acquisition Reserve	q	**-**	-	-	**-**	1,854	(876)	**978**
Business Rate Retention Reserve	r	**3,314**	-	(32)	**3,282**	2,453	(255)	**5,480**
Planning Related Receipts (S106, SANGS and Tariffs)	s	**2,351**	237	-	**2,588**	76	(44)	**2,620**
Land Charges	t	**419**	-	(52)	**367**	12	(72)	**307**
Insurance	u	**232**	-	-	**232**	-	-	**232**
Total Earmarked Revenue Reserves (Excluding CIL)		**17,807**	**4,212**	**(4,592)**	**17,427**	**7,777**	**(4,899)**	**20,305**
Community Infrastructure Levy (CIL)	v	**6,383**	6,524	(2,172)	**10,735**	4,539	(8,827)	**6,447**
Community Infrastructure Levy (Strategic Infrastructure and Maintenance Projects)	w	**-**	-	-	**-**	5,690	-	**5,690**
Total Earmarked Revenue Reserves (Including CIL)		**24,190**	**10,736**	**(6,764)**	**28,162**	**18,006**	**(13,726)**	**32,442**

Notes to Earmarked Reserves

Note	
a	To meet current and future contingency requirement and the revenue budget risks facing the authority. It will provide cover for rental income if it falls below the level assumed in the MTFS.
b	Fund received for growth in Business Rates used to reinvest in business related improvements.
c	To meet staffing costs arising from Council reorganisations or restructures.
d	A reserve established to deal with emergency repairs and maintenance and dilapidation costs to council owned properties.
e	Revenue sums held to finance capital expenditure.
f	Local Public Service Agreement funds used to fund projects of a one off nature.
g	Established to mitigate the effect of the time limited funding from central government.
h	Set aside to protect the authority's annual budget in the event of in-year or between-year fluctuations in investment returns.
i	To finance items included of a one off nature where budget provision has been made, but the expenditure will be incurred in the following financial year.
j	Established by allocating 5% of the income stream from "Off-Street" car parking to provide funding for the ongoing maintenance of the Council's car parks.
k	A reserve established from New Homes Bonus funding, received to provide incentives and rewards for Councils and Communities to build homes in their area.
l	Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement of local businesses and regeneration of the borough.
m	Funds provided by the Home Office and held in respect of Crime and Disorder initiatives.
n	Miscellaneous funds, principally held in respect of bequests and donations to support the ongoing provision and maintenance of Centres for the Community and the ongoing maintenance of graves.
o	Established to protect the Council's revenue accounts during the period of transition to Universal Credit and changes resulting from Welfare Reform.
p	From a planning delivery grant to assist with the delivery of the Planning function. Fully committed for future years one off expenditure.
q	To use in the purchase of Investment Property Assets to provide increased revenue rental streams. Funding for the year was transferred from the New Homes Bonus Reserve.
r	Net surplus arising from the Business Rates Retention Scheme retained by the Council to offset any future Business Rates deficits attributable to the Council.
s	Receipts held as a result of the approval of planning consent, the funding must be used in accordance with the planning agreement.
t	Established for Land Charges surplus income, which may be used to fund deficits arising for those services in future years in accordance with legislative requirements.
u	Held in respect of future payments required for self insurance / premium excess payments.
v	Community Infrastructure Receipts held to meet future infrastructure requirements as outlined in the Community Infrastructure Levy Regulations and subsequent amendments.
w	Community Infrastructure Receipts earmarked for Strategic Infrastructure and Maintenance Projects

9. Other Operating Expenditure

2016/17 £'000		2017/18 £'000
14	(Gains)/losses on the disposal of non-current assets	(23,042)
48	Other	49
62	**Total**	**(22,993)**

The gain on disposal mainly relates to the sale of Stompond Lane.

10. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
288	Interest payable and similar charges	709
1,566	Net interest on the net defined benefit liability	1,477
(699)	Interest receivable and similar income	(674)
(2,244)	Income and expenditure in relation to investment properties and changes in their fair value	(4,104)
(1,089)	**Total**	**(2,592)**

11. Taxation and Non-Specific Grant Income and Expenditure

2016/17 Net Expenditure £'000		2017/18 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
(13,202)	Council Tax income	-	(13,567)	(13,567)
(2,216)	Non Domestic Rates	23,888	(26,080)	(2,192)
(4,386)	Non-ringfenced government grants	-	(3,773)	(3,773)
(4,160)	Capital grants and contributions	-	(2,699)	(2,699)
(23,964)	**Total**	**23,888**	**(46,119)**	**(22,231)**

It is a requirement to account for the Council's proportion of income and expenditure in relation to the Business Rate Retention Scheme. The Council was a member of a pool in 2017/18, as a result the Council will gain £0.5million which, because of the complexities of the Business rates Retention Scheme, will become available to use in 2019/20. The Council was not a member of a pool in 2016/17. See the Collection Fund Income and Expenditure Account for more information on both Business Rates and Council Tax income.

12. Property, Plant and Equipment

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

Movements in 2016/17	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2016	68,365	12,676	437	410	823	1,541	84,252
Additions	331	772	74	-	-	11,220	12,397
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	13,050	-	-	69	1,059	-	14,178
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	(5,257)	(5,257)
Derecognition - disposals	-	(184)	-	-	-	-	(184)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	115	-	115
Other movements in cost or valuation	-	-	65	-	-	(79)	(14)
At 31 March 2017	**81,746**	**13,264**	**576**	**479**	**1,997**	**7,425**	**105,487**
Accumulated Depreciation and Impairment							
At 1 April 2016	(2,656)	(8,259)	(437)	(44)	(76)	-	(11,472)
Depreciation charge	(1,863)	(830)		(9)	(39)		(2,741)
Depreciation written out to the Revaluation Reserve	1,409	-	-	1	76	-	1,486
Impairment (losses)/reversals recognised in the Revaluation Reserve	(590)	-	-	-	-	-	(590)
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	(61)	-	-	-	-	-	(61)
Derecognition - disposals	-	159	-	-	-	-	159
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2017	**(3,761)**	**(8,930)**	**(437)**	**(52)**	**(39)**	**-**	**(13,219)**
Net Book Value							
At 31 March 2017	**77,985**	**4,334**	**139**	**427**	**1,958**	**7,425**	**92,268**
At 31 March 2016	**65,709**	**4,417**	**-**	**366**	**747**	**1,541**	**72,780**

Movements in 2017/18	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2017	81,746	13,264	576	479	1,997	7,425	105,487
Additions	7,801	4,032	-	-	1,158	421	13,412
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,362	-	-	-	1,713	-	5,075
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,947)	-	-	-	(200)	-	(2,147)
Derecognition - disposals	(368)	(3,788)	-	-	(474)	-	(4,630)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	-	-	-
Other movements in cost or valuation	6,366	90	-	-	949	(7,405)	-
At 31 March 2018	**96,960**	**13,598**	**576**	**479**	**5,143**	**441**	**117,197**
Accumulated Depreciation and Impairment							
At 1 April 2017	(3,761)	(8,930)	(437)	(52)	(39)	-	(13,219)
Depreciation charge	(1,962)	(690)	(4)	(9)	(69)	-	(2,734)
Depreciation written out to the Revaluation Reserve	1,582	-	-	-	25	-	1,607
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	368	3,788	-	-	-	-	4,156
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2018	**(3,773)**	**(5,832)**	**(441)**	**(61)**	**(83)**	**-**	**(10,190)**
Net Book Value							
At 31 March 2018	**93,187**	**7,766**	**135**	**418**	**5,060**	**441**	**107,007**
At 31 March 2017	**77,985**	**4,334**	**139**	**427**	**1,958**	**7,425**	**92,268**

Depreciation

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

- Land and Buildings – straight line, 5 to 60 years.
- Vehicles – reducing balance, 33% or 55% of carrying amount.
- Plant, Furniture and Equipment – straight line, 5 to 50 years.

In 2017/18 the Council changed the remaining useful lives assigned to the following properties:

- Halls:

- Hersham Hall decreased from 40 to 30 years (increasing the annual depreciation by £4,792).
- The Playhouse Walton decreased from 40 to 20 years (increasing the annual depreciation by £7,250).
- Vine Hall decreased from 40 to 15 years (increasing the annual depreciation by £4,167).
- Weybridge Hall decreased from 40 to 25 years (increasing the annual depreciation by £3,562).
- Car Parks decreased from 10 to 7.5 years (increasing the annual depreciation by £23,064).
- Churchfield Road, Weybridge Public Convenience decreased from 35 to 30 years (increasing the annual depreciation by £143).
- Burvale Cemetery House decreased from 45 to 40 years (increasing the annual depreciation by £1,167).
- Community Hub, Walton decreased from 50 to 15 years (increasing the annual depreciation by £23,591).

These changes have had the overall financial effect of increasing the total annual depreciation for other land and buildings from £1,893,922 to £1,961,658 however, by regulation depreciation has no effect on taxation.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by G Howes MRICS RICS Registered Valuer for and on behalf of Montagu Evans LLP except for the Cowey Lodge, Public Conveniences, Car Parks and Cemetery Houses. which were undertaken internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

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

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	740	13,598	576	402	1,158	441	16,915
Valued at fair value as at:							
31 March 2018	80,728	-	-	-	2,213	-	82,941
31 March 2017	2,404	-	-	77	1,772	-	4,253
31 March 2016	5,540	-	-	-	-	-	5,540
31 March 2015	5,126	-	-	-	-	-	5,126
31 March 2014	2,422	-	-	-	-	-	2,422
Total Cost or Valuation	**96,960**	**13,598**	**576**	**479**	**5,143**	**441**	**117,197**

13. Heritage Assets

A reconciliation of the Carrying Value of Heritage Assets held by the Authority.

Cost / Valuation	Museum Artefacts & Civic Regalia £'000	War Memorials £'000	Heritage Marker £'000	Xcel Art £'000	Total £'000
At 1 April 2016	**520**	**684**	**64**	**24**	**1,292**
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
At 31 March 2017	**520**	**684**	**64**	**24**	**1,292**
Cost / Valuation					
At 1 April 2017	**520**	**684**	**64**	**24**	**1,292**
Revaluations	-	132	-	-	132
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
At 31 March 2018	**520**	**816**	**64**	**24**	**1,424**

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES. The increase in income is due to rentals from additional properties purchased during 2017/18, rental reviews and new leases on existing properties. The increase in expenditure is due to the increase in the number of properties owned by the Council.

2016/17		2017/18
£'000		£'000
1,984	Rental income from investment property	3,092
(199)	Direct operating expenses arising from investment property	(243)
1,785	**Net gain**	**2,849**

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 material contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All the Councils investment properties fair value measurements are based on other significant observable inputs. The Office Units and Commercial properties are measured using the investment method of valuation, assessing the passing rent and market rent by comparison to other transactions, and capitalising the income stream at an appropriate yield to reflect the key investment characteristics of the property.

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

2016/17		2017/18
£'000		£'000
28,160	**Balance at start of the year**	**42,700**
	Additions:	
14,676	Purchases	32,560
459	Net gains (losses) from fair value adjustments	1,255
	Transfers:	
(595)	(To)/from Property, Plant and Equipment	-
-	(To)/from Surplus Assets Awaiting Disposal	-
42,700	**Balance at end of the year**	**76,515**

The Investment property portfolio consists of £15.7 million of Office Buildings, £56.6 million of Industrial/Retail Premises (Commercial) and other sites of £4.2 million.

15. Intangible Assets

The Council accounts for its software as intangible assets. All software is attributed a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 10 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £262,911 charged to revenue in 2017/18 was charged to the Information Systems Service and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement of Intangible Asset balances during the year is as follows:

2016/17 £'000		2017/18 £'000
	Balance at start of year:	
3,599	Gross carrying amounts	3,814
(2,229)	Accumulated amortisation	(2,472)
1,370	**Net carrying amount at start of year**	**1,342**
	Additions:	
201	Purchases	189
-	Other disposals	(169)
(243)	Amortisation for the period	(263)
14	Other changes	169
1,342	**Net carrying amount at end of year**	**1,268**
	Comprising:	
3,814	Gross carrying amounts	3,834
(2,472)	Accumulated amortisation	(2,566)
1,342		**1,268**

16. Financial Instruments

Categories of Financial Instruments

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

2016/17 Long-term £'000	2016/17 Current £'000		2017/18 Long-term £'000	2017/18 Current £'000
		Investments		
16,518	25,044	Loans and receivables*	4,029	62,775
16,518	**25,044**	**Total investments**	**4,029**	**62,775**
		Debtors		
784	-	Loans and receivables	1,071	
-	27,512	Financial assets carried at contract amounts	-	18,187
784	**27,512**	**Total debtors**	**1,071**	**18,187**
		Borrowings		
16,735	490	Financial liabilities at amortised cost	41,106	940
16,735	**490**	**Total borrowings**	**41,106**	**940**
		Other Long Term Liabilities		
-	-	Finance lease liabilities	-	-
-	-	**Total other long term liabilities**	-	-
		Creditors		
-	-	Financial liabilities at amortised cost	-	-
-	9,696	Financial liabilities at carried contract amounts	-	10,361
-	**9,696**	**Total creditors**	-	**10,361**

* Figures in Loans and Receivables include interest accrued but not yet received

Income, Expense, Gains and Losses

2016/17				2017/18		
Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
£'000	£'000	£'000		£'000	£'000	£'000
289	-	289	Interest expense	709	-	709
-	(167)	(167)	Impairment losses	-	(26)	(26)
289	**(167)**	**122**	**Total expense in Surplus or Deficit on the Provision of Services**	**709**	**(26)**	**683**
-	(699)	(699)	Interest income	-	(674)	(674)
-	**(699)**	**(699)**	**Total income in Surplus or Deficit on the Provision of Services**	**-**	**(674)**	**(674)**
289	**(866)**	**(577)**	**Net (gain)/loss for the year**	**709**	**(700)**	**9**

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair values are assessed on the basis of other significant observable inputs (Level 2 in the fair value hierarchy) by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest at 31 March 2018 of 1.85% to 2.57% applies to loans from PWLB, and 0.40% to 1.19% for loans receivable (investments) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are calculated as follows – note the authority holds no Level 1 or Level 3 financial instruments:

2016/17				2017/18		
Carrying amount	**Fair value**	of which: Level 2		**Carrying amount**	**Fair value**	of which: Level 2
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
9,696	9,696	9,696	Financial liabilities	10,361	10,361	10,361
16,735	17,541	17,541	Long-term creditors	41,106	42,212	42,212

The fair value of long-term creditors is higher than the carrying amount because the rate payable on the Council's PWLB loans is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

2016/17				2017/18		
Carrying amount	**Fair value**	of which: Level 2		**Carrying amount**	**Fair value**	of which: Level 2
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
52,643	52,643	52,643	Loans and receivables	80,962	80,962	80,962
17,302	17,931	17,931	Long term debtors	5,100	5,208	5,208

The fair value of the long-term debtors is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest above current market rates.

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

17. Construction Contracts

At 31 March 2018 the Authority had no material construction contracts. At 31 March 2017 the Authority had a contract for the construction of a new Sports Hub at Waterside Drive, Walton-on-Thames. The contract had a total estimated value of £18.3 million and was approved by Council on 22 July 2015. The value of works completed at 31 March 2017 was £12.5 million (which included £5.9 million for decontamination of the site). The balance of the work was completed in 2017/18.

18. Short Term Debtors

2016/17 £'000		2017/18 £'000
	Debtors after Impairments	
470	Payments in Advance	495
924	Central Government Bodies	1,487
2,090	Other Local Authorities	1,679
5,739	Sundry Debtors	6,088
9,223		**9,749**

18.1 Impairments

The Council has provided for a provision of £1,926,500 (£1,883,000 in 2016/17) for the non-payment of debt owed to the council (Sundry Debtors), also referred to as Impairments, see the following table for an analysis, by the debtor type and the gross amount owed before impairment:

2016/17 £'000		2017/18 £'000
	Debtors	
470	Payments in Advance	495
924	Central Government Bodies	1,487
2,090	Other Local Authorities	1,679
7,622	Sundry Debtors	8,015
11,106		**11,676**

19. Cash and Cash Equivalents

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

2016/17 £'000		2017/18 £'000
1	Cash held by the Authority	1
4,823	Bank current accounts	3,880
17,005	Short-term deposits with banks and building societies	8,016
21,829	**Total Cash and Cash Equivalents**	**11,897**

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

20. Assets held for sale

As at the 31 March 2018 the Council held no assets for sale. As at the 31 March 2017 the Council held one asset for sale; the former Molesey Centre for the Community which was valued at £480,000. The sale was completed at £480,000 during 2017/18.

21 Creditors

21.1 Short Term Creditors

2016/17 £'000		2017/18 £'000
4,604	Central Government Departments	5,141
9,728	Other Local Authorities	8,600
4,708	Other entities and individuals	3,704
2,082	Receipts in advance	2,978
21,122		**20,423**

The reason for a decrease in short term creditors is mainly due to a £1million decrease in various sundry creditors and a £1million decrease in money owed to Surrey County Council for Council Tax and Business Rates. Some of this decrease has been offset by a £1million increase in receipts in advance and a £0.5m increase in money owed to Central Government for Transitional Protection Payments in relation to Business Rates.

21.2 Short Term Loans

In 2012/13 the Council borrowed £3,500,000 from the PWLB over 25 years on an Equal Instalment of Principal (EIP) basis, in 2016/17 an additional £5,000,000 and £3,000,000 was borrowed on an EIP basis over 25 and 20 years respectively. During 2017/18 a further £4,000,000 and £5,000,000 was borrowed on an Annuity basis over 10 and 40 years respectively. The short-term loan of £940,313 at 31 March 2018 is the element of the principal repayment required on these loans in 2018/19 (£490,000 at 31 March 2017). In addition, the Council has outstanding PWLB loans of £23,000,000 payable at maturity.

22. Impairments

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

23. Usable Reserves

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

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

2016/17		2017/18
£'000		**£'000**
4,000	General Fund	4,000
28,162	Earmarked Reserves (Including CIL)	32,442
12,177	Capital Receipts Reserve	20,498
11,709	Capital Grants Unapplied	14,691
56,048	**Total Usable Reserves**	**71,631**

The main reason for the increase in the Capital Receipt Receipts Reserve is the capital receipt relating to Stompond Lane; £8 million of capital receipts received during the year were not applied to fund capital expenditure in the year.

The main reasons for the increase in Earmarked Reserves is a £2 million increase in the Business Rates Retention Reserve and a £1million increase in CIL reserves.

The increase in the Capital Grants Unapplied reserve is mainly due to a £2 million increase in Affordable Housing Grants received.

24. Unusable Reserves

24.1 Analysis of Unusable Reserves

2016/17 £'000		2017/18 £'000
44,558	Revaluation Reserve	49,904
67,407	Capital Adjustment Account	87,008
(58,651)	Pensions Reserve	(59,181)
784	Deferred Capital Receipts Reserve	1,071
339	Collection Fund Adjustment Account	(571)
54,437	**Total Unusable Reserves**	**78,231**

24.2 Revaluation Reserve

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

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

2016/17 £'000		2017/18 £'000
30,495	**Balance at 1 April**	**44,558**
16,688	Upward revaluation of assets	6,860
(1,614)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(45)
15,074	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**6,815**
(1,011)	Difference between fair value depreciation and historical cost depreciation	(1,046)
-	Accumulated gains on assets sold or scrapped	(423)
(1,011)	Amount written off to the Capital Adjustment Account	**(1,469)**
44,558	**Balance at 31 March**	**49,904**

24.3 Capital Adjustment Account

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

2016/17		2017/18
£'000		£'000
68,287	**Balance at 1 April**	**67,407**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(8,059)	Charges for depreciation and impairment of non current assets	(2,734)
-	Revaluation losses on Property, Plant and Equipment	(2,147)
(243)	Amortisation of intangible assets	(263)
(4,018)	Revenue expenditure funded from capital under statute	(1,643)
(26)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(955)
55,941		**59,665**
1,011	Adjusting amounts written out of the Revaluation Reserve	1,469
56,952	Net written out amount of the cost of non-current assets consumed in the year	**61,134**
	Capital financing applied in the year:	
723	Use of the Capital Receipts Reserve to finance new capital expenditure	17,784
2,164	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,331
2,080	Application of grants to capital financing from the Capital Grants Unapplied Account	2,360
387	Statutory provision for the financing of capital investment charged against the General Fund	680
4,642	Capital expenditure charged against the General Fund Balance	2,464
9,996		**24,619**
459	Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	1,255
67,407	**Balance at 31 March**	**87,008**

24.4 Pensions Reserve

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

2016/17		2017/18
£'000		£'000
(46,383)	**Balance at 1 April**	**(58,651)**
(11,311)	Remeasurement of the net defined benefit liability	1,871
(4,101)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,553)
3,144	Employer's pensions contributions and direct payments to pensioners payable in the year	3,152
(58,651)	**Balance at 31 March**	**(59,181)**

24.5 Deferred Capital Receipts Reserve

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

2016/17		2017/18
£'000		£'000
870	**Balance at 1 April**	**784**
74	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	436
(160)	Transfer to the Capital Receipts Reserve upon receipt of cash	(149)
784	**Balance at 31 March**	**1,071**

During 2017/18 the Council provided Catalyst Housing Limited with £388,308 (£35,000 in 2016/17) to provide mortgages to purchase property from the private sector. These funds are secured by a charge against the property and will be repaid to the council when the loan is redeemed with Catalyst Housing Limited. During 2017/18, 3 loans were repaid with an average increase in value of 18.8% for loans issued in 2011/12 and 5% for loans issued in 2012/13 and 2014/15. An increase of 5% has been applied to outstanding loans, resulting in an increase in value of £47,216 which has been credited as part of the gain on disposal to the CIES.

24.6 Collection Fund Adjustment Account

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

2016/17		2017/18
£'000		£'000
898	**Balance at 1 April**	**339**
(559)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements*	(910)
339	**Balance at 31 March**	**(571)**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
(548)	Interest received	(376)
289	Interest paid	628
(259)	Net cash flows	**252**

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

2016/17 £'000		2017/18 £'000
(2,741)	Depreciation	(2,734)
(5,318)	Impairment and downward revaluations	(2,147)
(243)	Amortisation	(263)
(81)	Impairment - provision for bad debts	(44)
(1,743)	Creditors	(420)
(3,530)	Debtors	1,867
(21)	Inventories	(40)
(957)	Pensions liability	(2,401)
(26)	Carrying amount of non-current assets sold	(955)
(5,011)	Other non-cash items charged	(574)
(19,671)	**Adjustments for non-cash movements**	**(7,711)**

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

2016/17 £'000		2017/18 £'000
12	Proceeds from sale of property, plant & equipment, investment properties & intangibles	23,997
1,241	Proceeds from sale of former council houses	311
90	Proceeds from non-sale transactions	1,650
6,033	Capital grants receivable	6,672
7,376	**Adjustments for items which are investing and financing activities**	**32,630**

26. Cash Flow Statement – Investing Activities

2016/17 £'000		2017/18 £'000
26,409	Purchase of property, plant and equipment, investment property and intangible assets	46,914
-	Purchase of short- and long-term investments	25,000
4,017	Other payments for investing activities	2,079
(12)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(23,997)
(6,795)	Other receipts from investing activities	(9,837)
23,619	**Net cash flows from investing activities**	**40,159**

27. Cash Flow Statement – Financing Activities

2016/17 £'000		2017/18 £'000
(12,545)	Cash receipts of short- and long-term borrowing	(25,500)
(2,183)	Other receipts from financing activities	-
(140)	Repayments of short- and long-term borrowing	679
-	Other payments for financing activities	366
(14,868)	**Net cash flows from financing activities**	**(24,455)**

28. Expenditure and Funding Analysis and Note to the 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 Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2016/17	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Community Development	401	14	415	54	469
Corporate Development	2,654	-	2,654	159	2,813
Environment	5,449	20	5,469	135	5,604
Highways and Transport	(1,490)	-	(1,490)	43	(1,447)
Housing	2,056	(14)	2,042	854	2,896
Leisure and Culture	4,519	-	4,519	427	4,946
Licensing Committee	126	-	126	39	165
Resources	425	2,250	2,675	3,794	6,469
Social	2,196	(3)	2,193	333	2,526
Planning Committee	1,785	(3,275)	(1,490)	231	(1,259)
Net Cost of Services	**18,121**	**(1,008)**	**17,113**	**6,069**	**23,182**
Other income and expenditure	(22,093)	1,008	(21,085)	(5,147)	(26,232)
(Surplus) or Deficit	**(3,972)**	**0**	**(3,972)**	**922**	**(3,050)**
Opening General Fund Balance			28,190		
Surplus/(Deficit) on General Fund Balance in Year			3,972		
Closing General Fund Balance at 31 March 2017			**32,162**		

2017/18	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Community Development	314	0	314	26	340
Corporate Development	2,459	73	2,532	154	2,686
Environment	5,437	(243)	5,194	208	5,402
Highways and Transport	(2,019)	0	(2,019)	82	(1,937)
Housing	1,956	(408)	1,548	1,025	2,573
Leisure and Culture	4,184	10	4,194	743	4,937
Licensing Committee	215	0	215	96	311
Resources	811	(559)	252	1,730	1,982
Social	2,480	(6)	2,474	552	3,026
Planning Committee	2,453	(4,893)	(2,440)	556	(1,884)
Net Cost of Services	**18,290**	**(6,026)**	**12,264**	**5,172**	**17,436**
Other income and expenditure	(22,570)	6,026	(16,544)	(31,583)	(48,127)
(Surplus) or Deficit	**(4,280)**	**0**	**(4,280)**	**(26,411)**	**(30,691)**
Opening General Fund Balance			28,162		
Surplus/(Deficit) on General Fund Balance in Year			4,280		
Closing General Fund Balance at 31 March 2018			**32,442**		

The note to the Expenditure and Funding Analysis breaks down the adjustments into adjustments for capital purposes, pensions adjustments and other differences.

2016/17	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£000	£000	£000	£000
Community Development	(43)	(11)	-	(54)
Corporate Development	(111)	(48)	-	(159)
Environment	-	(135)	-	(135)
Highways and Transport	-	(43)	-	(43)
Housing	(715)	(213)	74	(854)
Leisure and Culture	(258)	(169)	-	(427)
Licensing Committee	-	(39)	-	(39)
Resources	(3,765)	(29)	-	(3,794)
Social	(125)	(208)	-	(333)
Planning Committee	(7)	(224)	-	(231)
Net Cost of Services	**(5,024)**	**(1,119)**	**74**	**(6,069)**
Other income and expenditure	5,544	162	(559)	5,147
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**520**	**(957)**	**(485)**	**(922)**

2017/18	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£000	£000	£000	£000
Community Development	(2)	(24)	-	(26)
Corporate Development	(45)	(109)	-	(154)
Environment	11	(220)	-	(209)
Highways and Transport	(9)	(72)	-	(81)
Housing	(969)	(492)	436	(1,025)
Leisure and Culture	(346)	(398)	-	(744)
Licensing Committee	-	(95)	-	(95)
Resources	(1,641)	(89)	-	(1,730)
Social	18	(570)	-	(552)
Planning Committee	2	(557)	-	(555)
Net Cost of Services	**(2,981)**	**(2,626)**	**436**	**(5,171)**
Other income and expenditure	32,267	225	(910)	31,582
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**29,286**	**(2,401)**	**(474)**	**26,411**

29. Agency Services

The Council provides on-street car parking management, highway grass-cutting and highway weed treatment services to Surrey County Council. The total net surplus of the work performed on an agency basis is £57,044 (2016/17 - £66,165).

30. Members' Allowances

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

Payments to all Members of the Council in 2017/18 amounted to £338,855 of which £5,689 related to expenses (2016/17 - £322,211 of which £5,783 expenses).

The allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances.

31. Officers' Emoluments

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

2016/17	Band	2017/18
14	£50,000 - £54,999	12
7	£55,000 - £59,999	8
2	£60,000 - £64,999	3
1	£65,000 - £69,999	-
-	£70,000 - £74,999	-
7	£75,000 - £79,999	4
-	£80,000 - £84,999	3
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
2	£100,000 - £104,999	1
-	£105,000 - £109,999	1
-	£110,000 - £114,999	-
1	£115,000 - £119,999	-
-	£120,000 - £124,999	1
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
1	£135,000 - £139,999	-
-	£140,000 - £144,999	1
-	£145,000 - £149,999	-

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

Disclosure of remuneration for senior employees

2017/18 Elmbridge Borough Council

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2017/18
Chief Executive (Head of Paid Service)	134,784.96	7,149.65	0.00	7,389.42	0.00	0.00	149,324.03	20,217.72	169,541.75
Strategic Director & Deputy Chief Executive (S151 Officer)	111,128.04	2,600.00	0.00	8,187.34	0.00	1,314.21	123,229.59	16,843.68	140,073.27
Strategic Director - Services	98,486.96	1,400.00	0.00	6,782.64	0.00	0.00	106,669.60	14,765.52	121,435.12
Head of Legal Services (Monitoring Officer)	72,846.96	0.00	0.00	6,449.12	0.00	1,356.36	80,652.44	11,123.76	91,776.20
	417,246.92	11,149.65	0.00	28,808.52	0.00	2,670.57	459,875.66	62,950.68	522,826.34

2016/17 Elmbridge Borough Council

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	remuneration including Pension Contributions 2016/17
Chief Executive (Head of Paid Service)	132,241.96	10,629.35	0.00	6,714.54	0.00	0.00	149,585.85	19,175.14	168,760.99
Strategic Director & Deputy Chief Executive (S151 Officer)	108,948.96	5,050.00	0.00	7,018.56	0.00	1,187.34	122,204.86	15,797.64	138,002.50
Strategic Director - Services	96,707.00	2,500.00	0.00	7,358.36	0.00	0.00	106,565.36	14,022.56	120,587.92
Head of Legal Services (Monitoring Officer)	71,418.96	0.00	0.00	6,420.70	0.00	1,338.72	79,178.38	10,355.76	89,534.14
	409,316.88	18,179.35	0.00	27,512.16	0.00	2,526.06	457,534.45	59,351.10	516,885.55

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

32. External Audit Costs

In 2017/18 Elmbridge Borough Council, incurred £69,110 in fees relating to external audit and inspection (£61,320 – 2016/17).

33. Grant Income

The Council credited the following grants and contributions to the CIES in 2017/18.

2016/17 £'000		2017/18 £'000
	Credited to Taxation and Non Specific Grant Income	
(667)	Government Formula Grant	
(4,160)	Capital Grants	(2,699)
-	Contribution From Surrey Business Rate Pool	(510)
(21,642)	EBC Proportion of total business rates collectable for the year*	(25,570)
(199)	Collection Fund Surplus Account	(138)
(13,002)	Precept Collection Fund	(13,429)
(256)	Council Tax Settlement Grant	(190)
(2,972)	New Homes Bonus	(1,894)
(491)	Other Grants	(1,689)
(43,389)	**Total**	**(46,119)**
	Credited to Services	
(40,866)	Housing and Council Tax Benefit Subsidy	(40,370)
-	Flexible Homelessness Grant	(385)
(178)	NDR Cost of Collection	(184)
(173)	Other Grants	(225)
(41,217)	**Total**	**(41,164)**

* The proportion is before the application of a Tariff (£22 million) payable to Central Government.

More details on the Council Tax and Non-Domestic Rates can be found in the Collection Fund Income and Expenditure Account statement. In 2017/18, the Council joined the "Surrey Business Rate Pool". As a result, the Council is due £0.5 million, its share of the pooling gain, which will only be available to spend in 2019/20. The Council was not a member of a pool in 2017/18.

34. Related Party Transactions

The Code of Practice for Local Authority Accounting requires the disclosure of any material transactions with related parties which are not disclosed elsewhere. Examples of related parties to an authority such as Elmbridge Borough Council would include central government, other local authorities and precepting bodies, joint ventures and joint venture partners, together with the Council's Members and Chief Officers.

Several Members are connected with local organisations, with whom the Council has dealings. Material transactions are either material to the Council or of materiality to the third party concerned:

2016/17 £		2017/18 £
16,828,872	Paragon Asra Housing Limited	16,040,978
839,880	A2 Housing	805,873
121,749	Walton, Weybridge & Hersham CAB	124,381
143,816	Castlewildish	119,739
80,970	Esher & District CAB	85,970
33,230	Claygate Recreation Ground Trust	33,230
21,140	Elmbridge Rent Start	31,390
28,390	CHEER	24,878
29,020	Voluntary Action Elmbridge	24,104
21,000	Walton-on-Thames Community Arts Trust	20,000
14,036	Local Government Association	14,368
7,970	Relate - West Surrey	8,970
-	Cobham Conservation & Heritage Trust	5,482
15,616	South East Employers	2,670
5,000	The Counselling Partnership	2,250
30,400	Long Ditton Village Hall	400
9,658	Thames Landscape Strategy	-
5,900	St Nicholas Church	-
5,810	Chandlers Field School	-

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

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

The appropriate analysis has been undertaken with regard to related party transactions for the year ended 31 March 2018, and the conclusion was reached that there were no other material transactions with related parties in that year, which are not disclosed elsewhere in this Statement of Accounts.

Building Control Mutual

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

Draft accounts indicate from 1 April 2017 to 31 March 2018 that the mutual made a profit of £66,000 (before tax).

At 31 March 2018, the mutual had a net current liability of £443,000 (£522,000 restated – 31 March 2017) represented by negative shareholder funds of £443,000 (£522,000 restated – 31 March 2017).

The accounts information has been supplied in draft dated 21 May 2018.

Trust Funds

The Council administers three Trust Funds', the total value at 31 March 2018 is £498,820 (£521,583 – 31 March 2017). The main Trust is King George's Hall Trust, which is to provide and maintain a public hall for the inhabitants of Elmbridge, the value at 31 March 2018 is £417,322 (£434,671 – 31 March 2017)

35. Capital Expenditure and Capital Financing

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

2016/17 £'000		2017/18 £'000
4,822	Opening Capital Financing Requirement	26,118
	Capital investment	
12,397	Property, Plant and Equipment	13,412
14,676	Investment Properties	32,560
201	Intangible Assets	189
4,018	Revenue Expenditure Funded from Capital under Statute	1,643
	Sources of finance	
(723)	Capital Receipts	(17,784)
(4,244)	Government Grants and Other Contributions	(3,691)
	Sums set aside from revenue:	
(4,642)	Direct revenue contributions	(2,464)
(387)	MRP/loans fund principal	(680)
26,118	**Closing Capital Financing Requirement**	**49,303**
	Explanation of movements in year	
-	Increase in underlying need to borrow (supported by government financial assistance)	-
21,296	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	23,185
21,296	**Increase/(decrease) in Capital Financing Requirement**	**23,185**

36. Leases

The Council as Lessee

Finance Leases

The Council has no material finance leases.

The Council as Lessor

Operating Leases

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

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

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

2016/17		2017/18
£'000		£'000
728	Not later than one year	628
1,273	Later than one year and not later than five years	811
329	Later than five years	299
2,330		1,738

37. Impairment Losses

During 2017/18 the Council had no impairment losses.

In 2016/17, the Council recognised the following impairment losses:

- Hersham Centre – the property has been impaired due to the level of building, mechanical and electrical condition issues that have recently been identified.
- Claygate Recreation Ground Pavilion – in November 2016 the property sustained substantial fire damage to the extent that the property has been rendered completely unusable and is likely to need demolishing and rebuilding.

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

38. Termination Benefits

The Council terminated the contracts of a number of officers in 2017/18, incurring liabilities of £55,057 (£72,203 in 2016/17). This amount is payable to 7 officers (6 officers in 2016/17) from various departments across the Council as part of the Council's staffing restructures in the interest of efficiency. It is estimated that as a result of these termination of contracts and other restructures the Council will save approximately £99,459 per annum (£96,000 per annum 2016/17). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

Number of Employees 2016/17	Termination Benefit	Number of Employees 2017/18
5	£0 - £20,000	6
1	£20,001 - £40,000	0
0	£40,001 - £60,000	1
0	£60,001 - £80,000	0

There were four outstanding payments relating to exit packages at 31 March 2018 for £89,928 (one at 31 March 2017 for £45,000).

39. Provisions

	MMI £'000	Other - Dilapidations £'000	Business Rate Appeals £'000	Total £'000
Balance at 1 April 2017	52	1,750	2,263	4,065
Additional provisions made	-	-	1,583	1,583
Amounts used	-	(297)	(600)	(897)
Unused amounts reversed	-	(500)	-	(500)
Balance at 31 March 2018	**52**	**953**	**3,246**	**4,251**

MMI

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

Other Dilapidations

As at the 1 April 2017 there were three outstanding disputes relating to property. Of a provision relating to Drewitts Court, £297,000 has been used during the year, with the remaining sum to be used during 2018/19. The provision of £450,000 relating to Stompond Lane has been reversed due to the sale of the property. The provision of £50,000 relating to Weybridge Museum has also been reversed.

Business Rate Appeals

This balance represents the Council's proportion (40%) of the potential reduction in the amount of business rates as a result of appeals and future appeals. If the Valuation Office re-assess the rateable value as a result of an appeal, the Council will reimburse the property owner for its overpayment, backdated to the date of the original assessment. The balance of the cost is borne by Central Government (50%) and Surrey County Council (10%). During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. These valuations came into effect on 1 April 2017 together with a new process for reviewing rateable values. The additional provision reflects the uncertainty associated with the new valuations and process.

40. Defined Benefit Pension Scheme

40.1 Participation in Pension Schemes

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

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

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

40.2 Transactions Relating to Post-Employment Benefits

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

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

2016/17 £'000		2017/18 £'000	£'000
	<u>**Comprehensive Income and Expenditure Statement**</u>		
	Cost of Services		
2,535	Current service cost	4,076	
-	Past service costs	-	
-	(Gain)/loss from settlements	-	**4,076**
	Financing and Investment Income and Expenditure		
1,566	Net interest expense		**1,477**
4,101	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**		**5,553**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
	Actuarial gains and losses		
	Remeasurement of the net defined benefit liability comprising:		
(10,582)	• Return on plan assets (excluding the amount included in the net interest expense)	746	
(1,903)	• Actuarial (gains) and losses arising on changes in demographic assumptions	-	
23,352	• Actuarial (gains) and losses arising on changes in financial assumptions	(2,642)	
444	• Other	25	
11,311			**(1,871)**
15,412	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**		**3,682**
	<u>**Movement In Reserves Statement**</u>		
(12,268)	**Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code**		**(530)**
3,144	**Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme**		**3,152**

40.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

2016/17 £'000		2017/18 £'000
(155,083)	Present value of the defined benefit obligation	(155,976)
96,432	Fair value of plan assets	96,795
(58,651)	**Net liability arising from the defined benefit obligation**	**(59,181)**

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

2016/17 £'000		2017/18 £'000
84,531	**Opening fair value of scheme assets**	**96,432**
2,846	Interest income	2,393
	Remeasurement gains / (loss):	
10,582	• Return on plan assets, excluding the amount included in the net interest expense	(746)
-	• Other	-
3,144	Contributions from employer	3,152
732	Contributions from employees into the scheme	724
(5,403)	Benefits paid	(5,160)
96,432	**Closing balance at 31 March**	**96,795**

Reconciliation of Present Value of the Scheme Liabilities

2016/17 £'000		2017/18 £'000
130,914	**Opening balance at 1 April**	**155,083**
2,535	Current service cost	4,076
4,412	Interest cost	3,870
732	Contributions by scheme participants	724
	Remeasurement gains / losses:	
(1,903)	• Actuarial gains / (losses) arising from changes in demographic assumptions	-
23,352	• Actuarial gains / (losses) arising from changes in financial assumptions	(2,642)
444	• Other	25
(5,403)	Benefits paid	(5,160)
155,083	**Closing balance at 31 March**	**155,976**

Local Government Pension Scheme assets comprised:

2016/17 £'000	Fair value of scheme assets	2017/18 £'000
11,424	Cash and cash equivalents	11,467
	Equity instruments by industry type:	
7,823	• Consumer	7,853
7,092	• Manufacturing	7,118
3,888	• Energy & utilities	3,902
6,822	• Financial institutions	6,848
2,577	• Health & care	2,587
5,431	• Information technology	5,452
196	• Other	197
33,829	Sub-total equity	33,957
	Bonds by sector:	
3,559	• Corporate	3,572
197	• Government	197
442	• Other	444
4,198	Sub-total bonds	4,213
	Property by type:	
5,483	• UK property	5,504
36	• Overseas property	36
5,519	Sub-total property	5,540
4,047	Private equity *	4,062
	Other investment funds:	
26,741	• Equities	26,842
10,541	• Bonds	10,580
-	• Other	-
37,282	Sub-total other investment funds	37,422
	Derivatives:	
(3)	• Interest Rate	(3)
136	• Foreign exchange	137
133	Sub-total derivatives	134
96,432	**Total assets**	**96,795**

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

40.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2016/17		2017/18
	Long-term expected rate of return on assets in the scheme:	
2.7%	Equity investments	2.7%
2.7%	Bonds	2.7%
2.7%	Property	2.7%
2.7%	Cash	2.7%
	Mortality assumptions:	
	Longevity at 65 for current pensioners (years):	
22.5	• Men	22.5
24.6	• Women	24.6
	Longevity at 65 for future pensioners (years):	
24.1	• Men	24.1
26.4	• Women	26.4
2.4%	**Pension Increase Rate (CPI)**	2.4%
2.7%	**Rate of increase in salaries**	2.7%
2.4%	**Rate of increase in pensions**	2.4%
2.5%	**Rate for discounting scheme liabilities**	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this in 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.

Impact on the Defined Benefit Obligation in the Scheme	%	**Increase in Assumption £'000**
Longevity (increase of 1 year)	3-5	4,679 - 7,799
Rate of inflation (CPI increase by 0.5%)	8	11,725
Rate of increase in salaries (increase by 0.5%)	1	1,838
Rate of increase in pensions (increase by 0.5%)	8	11,725
Rate for discounting scheme liabilities (decrease by 0.5%)	9	13,736

The Council's share of the deficit on the Surrey Pension Fund continued to reduce the Council's net asset position. Elmbridge's Balance Sheet shows a Pensions liability of £59 million. There has been minimal change in the accounting valuation of the fund compared to 31 March 2017. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by the accounting standards, and future anticipated funding shows that the fund is approaching fully funded over the next 16 years.

40.5 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. A valuation was carried out at 31 March 2016, the next triennial valuation is due to be completed as at 31 March 2019.

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 may not provide benefits in relation to service after 31 March 2014. 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 actuary anticipated the authority's expected contributions to the scheme in 2018/19 would be £2,876,000 (2017/18 - £2,905,000), based on the triennial actuarial review at 31 March 2016.

The weighted average duration of the defined benefit obligation for scheme members is 15.9 years in 2017/18 (15.9 years in 2016/17).

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

41. Contingent Liabilities

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

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

42. Contingent Assets

There are no contingent assets.

43. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

43.1 Credit Risk

Credit risk arises from deposits with banks and other financial institutions, and in addition credit exposures to the Council's own customers. The Council's risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors, applying the lowest available rating for any institution. The Annual Investment Strategy also imposes maximum limits on the time period and amount that can be place by investment category and institution. For further information please refer to Appendix J2 of the 2017/18 Budget papers presented to 8 February 2017 Cabinet.

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

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

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

The Council does not generally allow credit for customers. £3.1 million of the £4.5 million balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

2016/17		2017/18	
£'000		£'000	%
618	Less than three months	**1,396**	44.9
1,074	Three to six months	**820**	26.3
219	Six months to one year	**505**	16.2
453	More than one year	**391**	12.6
2,364		**3,112**	100.0

43.2 Liquidity Risk

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

At 31 March 2018, the Council has external borrowing with the Public Works Loan Board (PWLB) of £42,046,252 with a maturity analysis as follows:

2016/17 £'000		2017/18 £'000
	Short term loans	
490	Less than one year	**940**
490		**940**
	Long term loans	
490	Between one and two years	**947**
1,470	Between two and five years	**2,881**
4,900	Between five and fifteen years	**7,665**
9,875	More than fifteen years	**29,613**
16,735		**41,106**
17,225		**42,046**

The fair value of PWLB loans of £43.2 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, based on the authority's ability to borrow from PWLB at concessionary rates. The difference between the carrying amount and the fair value measures the increased interest (based on economic conditions at 31 March 2018) that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that which would be paid if the loans were at prevailing market rates.

The exit price for the PWLB loans, including the penalty charge, would be £52.5million.

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

43.3 Market Risk

Interest Rate Risk

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

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

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

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

The Council has a number of strategies for managing interest rate risk. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the Council against changes in the investment income generated on its surplus funds due to changes in market conditions; at the 31 March 2018 the balance remaining on this reserve was £0.4 million.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been an additional £466,000 being credited to the Surplus or Deficit on the Provision of Services.

43.4 Price Risk

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

43.5 Foreign Exchange Risk

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

Collection Fund Income and Expenditure Account

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

2016/17					2017/18		
Business Rates £'000	Council Tax £'000	Total £'000		Note	Business Rates £'000	Council Tax £'000	Total £'000
			Income				
-	108,000	108,000	Council tax receivable	2	-	113,572	113,572
58,209	-	58,209	Business rates receivable	3	61,511	-	61,511
128	-	128	Transitional protection receivable		4,491	-	4,491
58,337	108,000	**166,337**			66,002	113,572	**179,574**
			Expenditure				
			Apportionment of previous year's surplus/(deficit)				
(562)	-	(562)	Central Government		167	-	167
(449)	226	(223)	Elmbridge Borough Council		133	211	344
(112)	1,353	1,241	Surrey County Council		33	1,288	1,321
-	239	239	Surrey Police & Crime Commissioner		-	223	223
(1,123)	1,818	**695**			333	1,722	**2,055**
			Precepts, demands & shares				
28,246	-	28,246	Central Government		31,768	-	31,768
22,622	13,003	35,625	Elmbridge Borough Council		25,437	13,429	38,866
5,649	79,371	85,020	Surrey County Council		6,354	84,440	90,794
-	13,780	13,780	Surrey Police & Crime Commissioner		-	14,241	14,241
56,517	106,154	**162,671**			63,559	112,110	**175,669**
			Charges to the Collection Fund:				
233	215	448	Write-off of uncollectable amounts		145	251	396
-	-	-	Increase / (decrease) in bad debt provision		(83)	60	(23)
640	-	640	Amount Charged to Appeals Provision	4	1,499	-	1,499
3,222	-	3,222	Increase / (decrease) in appeals provision		2,458	-	2,458
178	-	178	Cost of Collection		184	-	184
4,273	215	**4,488**			4,203	311	**4,514**
59,667	108,187	**167,854**			68,095	114,143	**182,238**
1,330	187	**1,517**	(Surplus) / deficit arising in year		2,093	571	**2,664**
(1,599)	(2,081)	**(3,680)**	**Balance at 1 April**		(269)	(1,894)	**(2,163)**
(269)	(1,894)	**(2,163)**	**Balance at 31 March**		1,824	(1,323)	**501**

Notes to the Collection Fund Income and Expenditure Account

1. Business Rates Retention Scheme

The method for distributing and accounting for Non-Domestic Rates changed in 1 April 2013 with the introduction of the Business Rates Retention Scheme. Under the previous arrangements the total amount, less certain reliefs and other deductions, was paid into a National Pool.

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

Revenue growth under the new scheme is shared between Central Government, Elmbridge and Surrey County in the ratio 50:40:10. The 40% share of growth accruing to Elmbridge is then subject to a Central Government levy applied at a rate of 50%, so that in practice Elmbridge is permitted to retain 20% of any business rates growth of its share of retained income above its 2017/18 baseline funding level of £2.2 million (2016/17 £2.1 million). The baseline funding level rises each year in line with the change in the business rates multiplier. In 2017/18 the Council entered into a pool with Surrey County Council, London Borough of Croydon and four other district Councils in Surrey. As a result of entering the pool the Council will retain an extra £0.5 million of business rates which would otherwise have been paid to Central Government.

2. Council Tax Receivable

For Council Tax purposes all domestic properties are placed in one of eight valuation bands at 1991 prices, the bands ranging from A to H. The Council set a 2017/18 Council Tax charge for Band D properties of £1,781.27 within the Claygate Parish Area and £1,767.12 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with Council Tax costs under the local Council Tax Reduction scheme administered by Elmbridge Borough Council and substantially financed by central government.

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

Band	Estimated No. of Taxable Properties After Effect of Discounts & Reliefs	Ratio	Band D Equivalent Dwellings
A	283	6/9	189
B	939	7/9	731
C	5,177	8/9	4,602
D	10,822	1	10,822
E	9,663	11/9	11,810
F	7,195	13/9	10,392
G	10,626	15/9	17,709
H	3,998	18/9	7,996
TOTAL	**48,702**		64,250
		Less: Adjustments *	(835)
		Council Tax Base	**63,415**

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

3. Business Rates Receivable

The total Non-Domestic Rateable Value for the Elmbridge area at 31 March 2018 was £161 million, and the National Non-Domestic Rates multiplier 47.9p for 2017/18.

4. Provision for Appeals

During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. These valuations came into effect from 1 April 2017, together with a new process for challenging rateable values. As a result, the provision has been increased to reflect the risk associated with the uncertainty around the valuation and the appeal processes.

Glossary of Terms

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

Accounting Period
The length of time covered by the accounts, in the case of these accounts the year from 1 April 2017 to 31 March 2018.

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

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

Appropriations
The transfer of resources between various revenue reserves.

Balances
These represent the accumulated surplus of revenue income over expenditure.

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

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

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

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

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

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

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

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

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

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

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

Current Service Cost
The increase of the present value of a defined benefit scheme's liabilities expected to arise from employee service in the accounting period.

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

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

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

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

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

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

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

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

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

LABGI – Local Authority Business Growth Incentive Grant
A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

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

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

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

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

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

Public Works Loans Board
A government body that provides loans to local authorities.

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

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

Revenue Expenditure funded from Capital Resources Under Statute
Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset.

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

Abbreviations

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

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

Annual Governance Statement 2017/18

For the period 1 April 2017 to 31 March 2018

1. Scope of Responsibility

Elmbridge Borough Council is responsible for ensuring that:

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

- In discharging this overall responsibility, Elmbridge Borough Council is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

- Elmbridge Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE "Delivering Good Governance in Local Government" Framework 2016. A copy of the Council's Code is on our website at: www.elmbridge.gov.uk or can be obtained from:
  Head of Legal Services
  Elmbridge Borough Council
  Civic Centre
  High Street
  Esher, KT10 9SD

- This statement explains how Elmbridge Borough Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, Part 2 regulation 6(1) (b) which requires all relevant authorities to prepare an annual governance statement.

2. The Purpose of The Governance Framework

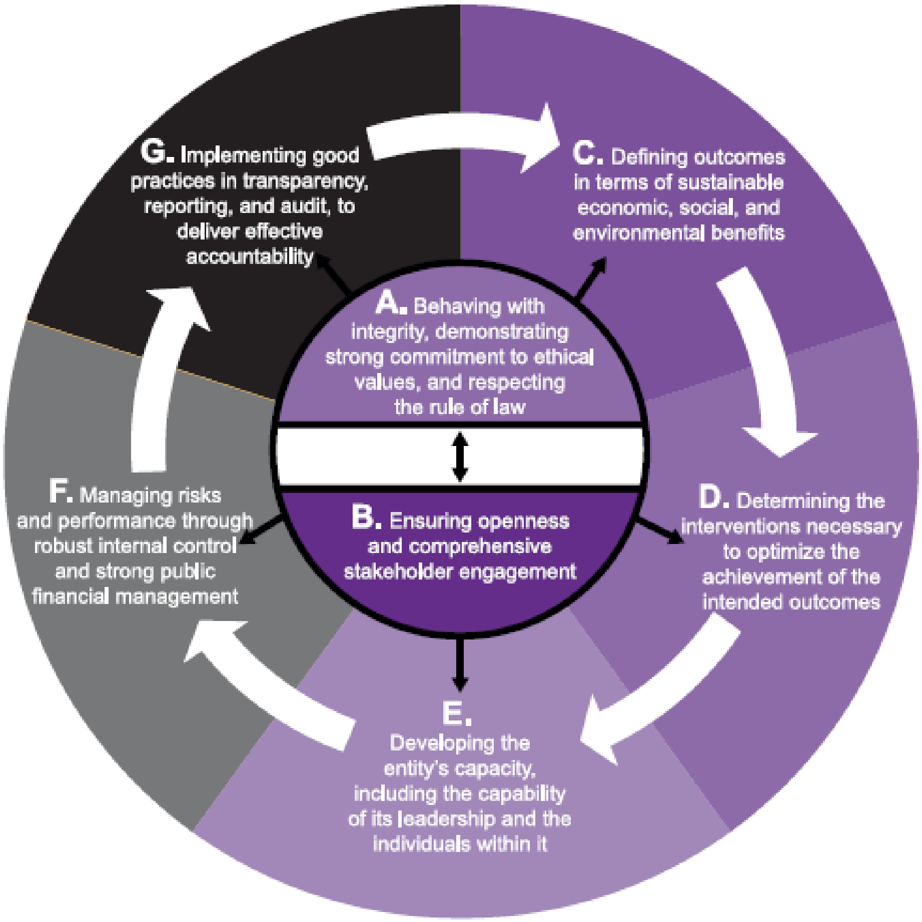
- The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Elmbridge Borough Council's objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

- The governance framework has been in place at Elmbridge Borough Council for the year ended 31 March 2018 and up to the date of approval of the Annual Report and Statement of Accounts.

3. The Governance Framework

The seven core principles of the CIPFA/SOLACE “Delivering Good Governance in Local Government” Framework 2016 are illustrated in the diagram below.



Some of the key elements of the governance framework that the Council has in place relating to these core principles are outlined below.

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

- The Council’s Constitution defines the roles/responsibilities of the Cabinet (Executive), regulatory committees, the Overview & Scrutiny Committee and statutory officers and sets out how these roles are discharged and the delegations extended to officers and Members.
- Codes of Conduct are in place for members and officers and are set out in the Council’s Constitution.
- Member/Officer Protocol and affirmation of relationship expectations is in place.
- Declarations of interests are made at Council Committee meetings and registers of interests and gifts and hospitality are in place.

- The effective discharge of the Monitoring Officer and Head of Paid service functions are assisted by regular meetings of the three statutory officers and with Members and by regular review of Constitutional powers.

- Whistleblowing arrangements are in place by means of a Confidential Reporting (Whistleblowing) Policy to receive and investigate complaints from staff and members of the public.

B. Ensuring openness & comprehensive stakeholder engagement.

- The Communications Plan and publication of the Council's Annual Report provide mechanisms for communicating with the community and other stakeholders and accountability for service delivery and outcomes.

- The "My Elmbridge" programme in place whereby residents can share their views with the Council. This includes an annual Prospects and Priorities meeting at which the public can engage directly with the Leader of the Council and Cabinet members. It provides an opportunity for a two-way dialogue with residents.

- The Council website provides a key means of communication between the Council and the public in an open and transparent form that aims to provide for comprehensive stakeholder engagement.

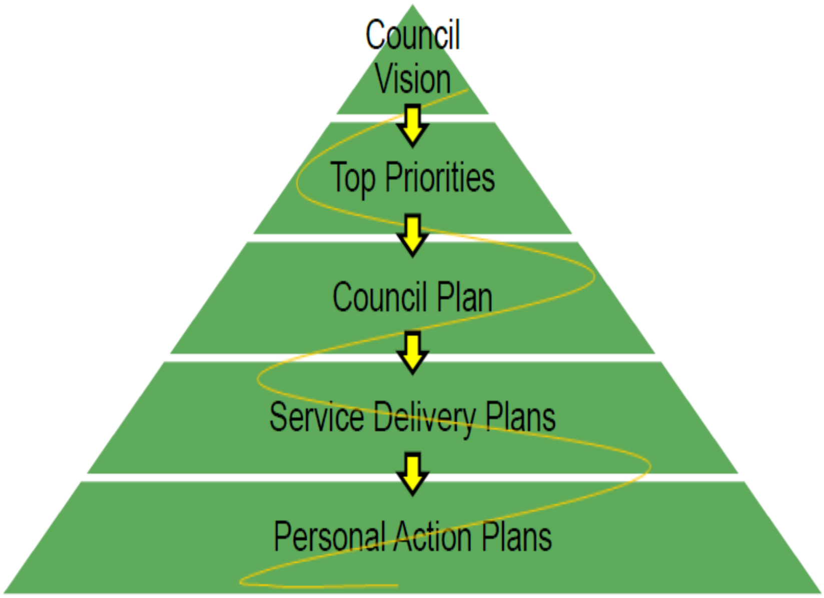
- There was widespread consultation involving key stakeholders on the new Council Vision for 2018-2023 including residents, partners and the third sector.

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

- The Council reviews its vision every five years and priorities annually. In 2017 an extensive consultation took place on the new Council Vision for the next five years to help identify the priorities of key stakeholders including residents, businesses and partner organisations. The Council Plan 2018/19 incorporates the new Council Vision and four priority areas and it was approved by full Council in February 2018.

- The Council continues to provide support to local businesses through the Elmbridge Civic Improvement Fund. During 2017/18 both ECIF grants and grants to local start-up businesses (ESUF) were given. Thirteen ECIF grants totalling £40,695 and ten ESUF grants totalling £8,975 were approved.

- The Council has a robust Performance Management framework in place and a Golden Thread approach as illustrated below.



- The Council Vision set for 2013-2018 was supported by three Top Priorities determined by resident consultation and agreed by Members annually. For 2017/18 this is as set out below:

Vision

Elmbridge: a caring, vibrant, healthy Borough in which to live and work, for all.

P1
A safe, caring and healthy Elmbridge

P2
A vibrant and thriving Elmbridge

P3
A green and attractive Elmbridge

- The Council objectives are developed from the Vision and Top Priorities and are set out in the annual Council Plan.

- The Council approved the new Vision for 2018 – 2023 in December 2017 following widespread consultation involving key stakeholders including members and residents.

- Some Council objectives were identified as Flagship Activities for 2017/2018 when thirteen flagships were in place.

- During 2017/18 quarterly performance monitoring reports were presented to Cabinet against the 2017/18 corporate plan objectives, flagship activities and the basket of performance indicators.

- The final report on the Council's performance in 2017/18 against the Council Plan 2017/18 will be submitted to Cabinet on 6th June 2018.This will confirm that eleven out of thirteen flagship activities (84.6%) were on target or completed as at 31 March 2018.

Flagship activities completed in 2017/18 included:

i) Activity: Generate at least £100,000 in external funding and investments into the local economy and support business start-ups. Outcome: Brooklands Business Park Accessibility project (£1.85m in LEP funding) – joint project with Surrey Highways. Funding allocated by Enterprise M3 Local Enterprise Partnership.

ii) Activity: Develop and adopt a new Council Vision and Priorities for 2018-23. Outcome: Following extensive consultation with key stakeholders the new Vision and four priority areas were adopted by Council in December 2017.

iii) Activity: Launch the new joint waste collection and street cleaning service. Outcome: Prior to the launch of the new service the Council established a Joint Services Committee, a contract management board and a shared contract management team, Joint Waste Solutions to provide new governance and shared strategic management arrangements for the mobilisation of the joint waste contract and its ongoing service delivery. Following significant service disruption in the weeks following the launch of the waste collection service in June 2017 an improvement plan was agreed to stabilize the service. A "lessons learned" report was provided to the January 2018 Cabinet by Joint Waste Solutions to identify the key issues that contributed to the significant service disruption at the start of the contract.

iv) Activity: Work with the new operator and sports clubs to launch the new Sports Hub and maximise community use.

Outcome: The new Sports Hub was completed on target and opened in September 2017. Bookings at the Hub are going well. Surrey FA has chosen the Sports Hub as one of 4 new educational hubs within Surrey for delivering all of its coach education, referee education and safeguarding courses.

v) Activity: Work with our contractor to deliver high quality verges, green spaces and cemeteries.
Outcome: Burleys commenced delivery of the contract in April 2017 and "Silver Gilt" awards were achieved for three sites in the borough during the year, as part of the South & South East in Bloom Competition.

vi) Activity: Engage our community in preparing a new Local Plan for submission to the Secretary of State which supports sustainable development across the Borough.
Outcome: Additional evidence base studies have been prepared to inform and underpin the next iteration of the Local Plan.

vii) Activity: Increase the use of our Centres for the Community through extra activities and by supporting our volunteers.
Outcome: New activities have been developed and 73 new volunteers have been recruited in the last year.

- The above flagship activities were rated as green to signify that the objective has been achieved or work is on target.

Outcomes of other flagship activities in 2017/18 included:

i) Activity: Facilitate the delivery of at least 100 affordable homes and social rented homes.
Outcome: Red: Due to delays in the construction of affordable homes the target has not been met and only 52 have been completed. However, the 48 dwellings delayed will all be delivered in 2018/19.

ii) Activity: Move at least 50 households off or out of the Benefit Cap through effective and targeted support.
Outcome: Amber: 41 households were moved off the Benefit Cap compared to a target of 50. Overall, the number of Elmbridge households subject to the Cap has fallen significantly, with around 110 households affected now. Dedicated staff will work with the households impacted by the Benefit Cap.

- The above flagship activities were rated as red (the target is no longer achievable) and amber (the achievement of the target in the way specified) respectively.

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

- Feedback from citizens through an annual residents' panel survey that enables consultation to ensure a high standard of customer service is delivered and that they are happy with the Council priorities and services.

- Feedback from residents and businesses through the annual Community Safety Survey that feeds into the development of the Elmbridge Community and Safety Partnership plans.

- Overview and Scrutiny Committee has scrutinised the delivery of the Joint Waste contract, the refurbishment of car parks and the Centres for the Community.

- Setting up of the Affordable and Social Housing Working Group reporting directly to the Cabinet.

- Performance Management framework contains Key Performance Indicators to measure performance of services.

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

- The Learning and Development Programme embedded incorporating mandatory e-learning and comprising a wide range of training opportunities including Management training and regular Managers Conferences.

- An established and further refreshed Performance Review framework that incorporates an annual performance review for all staff.

- Following an external Peer Review in June 2017 an Improvement Plan recommendation saw the balance of power between operational and strategic functions reviewed to ensure these were working effectively.

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

- The Council has a Risk Management Strategy and strategic and operational risk registers in place, which are reviewed regularly.

- The Council's Strategic Risk Register is reviewed annually and links to the Council's top priorities and strategic objectives.

- An annual Internal Audit Plan is approved by Audit and Standards committee. An Internal Audit Annual report and regular progress reports are presented to the Audit and Standards committee. In 2017/18 internal audit completed 16 audit reviews.

- Data Protection Act 1998 requirements adhered to for managing data. Corporate preparations for the introduction of the General Data Protection Regulation approved by Council. The Data Protection Officer appointed by full Council.

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

- The Audit and Standards Committee has defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance.

- The External Audit Annual report is submitted to the Audit and Standards Committee.

- A Confidential Reporting matter arose that raised a number of issues. These were investigated and appropriate management actions were put in place to address the issues raised.

- The Head of Internal Audit has direct access to the Chair of Audit and Standards Committee. Internal Audit completed 16 audit reviews in 2017/18. The assurance opinion for three of these reviews was accorded "Major Improvement Needed". Management has taken appropriate steps to action those areas identified to require management attention and these areas have been followed up with relevant senior management. This will be reported to the Audit and Standards Committee in the Internal Audit Annual Report 2017/18 in July 2018.

- The Audit and Standards Committee has direct access to both the Council's external auditors and the Head of Internal Audit.

4 Review of Effectiveness

Elmbridge Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:

- The work of the Council Management Board and senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
- The Council's risk management framework;
- the Audit and Standards Committee internal audit progress reports;
- comments made by the external auditors and other review agencies and inspectorates.

An assurance opinion of Major Improvement Needed has been given in three Internal Audit reports issued in 2017/18. The Council Management Board has accepted the Management Actions raised.

The Head of Internal Audit Partnership's Opinion Statement:

"The overall opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Internal Audit during 2017/18 and summarised in this report.

Agreed management actions arising from Internal Audit work have been reported to senior management and the Council Management Board and I am satisfied that management has undertaken to address any control weaknesses."

The effectiveness of the governance framework has been evaluated by:

- The completion of Annual Assurance Statements by all Heads of Service as at 31 March 2018. All statements were returned with no significant issues highlighted. Responses received regarding management arrangements and processes were noted and have been considered by the Council Management Board and Internal Audit and appropriate steps have been taken.

- An Internal Audit Corporate Governance assurance review;

- The Head of Legal Services testing the specific requirements of the Local Code of Corporate Governance against the behaviours, codes and protocols put in place by the Council and documented in the Constitution and elsewhere.

- The Head of Legal Services has confirmed that the Council's Local Code of Corporate Governance accords with the principles of the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework" 2016.

Conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)

CIPFA published an updated CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in June 2016.

The Council's financial management and assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) for the year ended 31st March 2018.

The Chief Financial Officer of the Council is the Strategic Director & Deputy Chief Executive and is the Council's Section 151 Officer (from Section 151, Local Government Act 1972).

We have been advised on the implications of the result of the review of the governance framework by the Audit and Standards Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Conformance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

CIPFA published the Code of Practice "Managing the Risk of Fraud and Corruption" in 2014.
The Council has adopted a response that is appropriate for its fraud & corruption risks and commits to maintain its vigilance to tackle fraud.

5. Outcomes, Value for Money and Improvements During the Year

The Audit and Standards Committee received the Council's appointed External Auditor's (Grant Thornton) Audit Findings for 2016/17 in September 2017. This report contained an unqualified opinion on the 2016/17 financial statements and a Value for Money conclusion confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The 2017/18 target for budget reductions and additional income of £1.9m was achieved. In 2018/19 £1.8m was included in the budget made up of savings including significant savings from the Joint Waste contract and additional income including property rentals.

The Local Government Association carried out a corporate Peer Review in June 2017 from which further improvements and actions were identified for 2017/18. An Improvement Plan was developed and approved by Cabinet and is reported to the Council Management Board quarterly.

During 2017/18 improvements have been made to the Council's arrangements and matters identified in 2017/18 have been addressed as follows:-

i) The Council's improvement was monitored on an ongoing basis by the Council Management Board and the work of corporate improvement groups continued across the Council in 2017/18 in this regard.

ii) The Council has strengthened its arrangements with regard to the following:

Safeguarding:

- The Adult Safeguarding Policy was approved and adopted by Council in July 2017
- The Children's Safeguarding Policy was approved in September 2017
- Safeguarding training is now mandatory and is part of the induction process. Management has continued to take steps to ensure its completion by all staff. It has been arranged for Members in July 2018
- Environmental Health is leading on a Countywide project to create consistency in the licensing of taxi drivers and hotels to address the issue of Child Sexual Exploitation
- Processes have been agreed with the Multi Agency Safeguarding Hub (MASH) on the sharing of information.

Business Continuity & Emergency Planning:

- Service Business Continuity Plans reviewed in 2017/18 were largely in place and a Plan is expected from Joint Waste Solutions in respect of the Joint Waste Contract.

Health and Safety:

- The Health & Safety Advisor has an established risk assessment audit process in place across the Council.

- Mandatory e-learning for Health and Safety for all staff is established and other specific courses are to be made available where roles require.

Information Governance:

The Information Governance framework and arrangements were defined and strengthened by:

- preparations across the Council for the forthcoming General Data Protection Regulation effective from 25th May 2018 and its associated requirements including the appointment of the Council's Data Protection Officer by full Council during the year.

- GDPR training for Members is due to take place in May 2018.

6 Significant Governance Issues

On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31 March 2018 and the corporate governance health check undertaken by Internal Audit, there are no significant governance issues to report. Furthermore, the review of the Council's system of governance and internal control has not identified any significant weaknesses.

We propose over the coming year to continue to further improve and enhance our governance arrangements. We will continue to monitor improvements and enhancements made as part of our next annual review.

Signatures: .... Date: ....
Leader of the Council

.... Date: ....
Chief Executive