



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

Statement of Accounts Year Ended 31 March 2009

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Explanatory Foreword by the Strategic Director - Resources

1. Accounts for 2008/09

The Council's Statement of Accounts for the year 2008/09 is set out on pages 16 to 69, which includes:

- * a Statement of Responsibilities for the Statement of Accounts, outlining the responsibilities of the Council and the Strategic Director – Resources (Page 6);
- * the Core Financial Statements
 - the Income and Expenditure Account (page 16)
 - the Statement of Movement in General Fund Balance (page 17).
 - the Statement of Total Recognised Gains and Losses (page 17).
 - the Balance Sheet (page 18)
 - the Cash Flow Statement - which summarises the total movement of the Council's cash (page 19);
- * the Collection Fund Income and Expenditure Account - which shows the transactions of the Council as a charging authority in relation to non-domestic rates, the receipt of Government grant in aid of the cost of local services and the council tax; the Fund illustrates the way in which these have been distributed to the Council and other precepting authorities on whose behalf Elmbridge collects council tax (page 46);

These accounts are supported by the Statement of Accounting Policies, and various notes to the accounts.

2. Housing Revenue Account

Pursuant to the large scale voluntary transfer of the Council's housing stock to the Elmbridge Housing Trust on 27 March 2000, the Secretary of State for the Environment, Transport and the Regions gave permission for the Housing Revenue Account to be closed. This action was taken on 31 March 2001; the revenue balance on the Housing Revenue Account was transferred to the Council's General Reserve at that date.

3. Money Comes From:

	£'000	£'000	%
Formula Grant	6,446		
Precept On Collection Fund	11,834		
Less Claygate Parish Council Precept	(48)	18,232	27
Defined Government Grants		34,967	51
Other Income		12,436	18
		65,635	
Interest and Investment Income		2,790	4
		68,425	100

The most significant source of finance was from defined Government grants which provided 51% of total income, with the precept on the Collection Fund and Formula Grant combined contribution of 27%.

4. Money is Spent on:

	£'000	%
Employees	11,591	17
Running Expenses	55,708	83
Gross Expenditure	67,299	100
Transfer to Reserves	1,126	
	68,425	

5. Services Provided:

	£'000	%
Cultural, Environmental and Planning Services	19,207	23
Housing Services	37,616	45
Highways and Transport Services	2,100	3
Social Services	3,660	4
Other	19,271	24
	81,854	99
Items charged to Income and Expenditure Account but having no effect on Council Tax	(14,849)	
Interest Payable	239	
Pension Fund FRS17 Adjustment	55	
Contribution to Reserves	1,126	
	68,425	

6. Budget

The main components of the budget for 2008/09, and how they compare with actual income and expenditure to the year are set out below:

	Original Budget	Actual	Variance (Favourable) / Adverse
	£'000	£'000	£'000
Expenditure			
Gross Expenditure on Services	65,368	67,299	1,931
Contribution (from)/to Reserves	(183)	1,126	1,309
Total Expenditure	65,185	68,425	3,240
Income			
Government Grants	(32,592)	(34,967)	(2,375)
Other Income	(11,991)	(12,436)	(445)
Interest on Investment Income	(2,370)	(2,790)	(420)
Total Income	(46,953)	(50,193)	(3,240)
Net Expenditure	18,232	18,232	-
Financed By:			
Formula Grant and Non Domestic Rates	6,446	6,446	-
Precept On Collection Fund	11,786	11,786	-
	18,232	18,232	-

7. Capital

The Council spent £3.0 million on capital projects, compared with the approved revised capital programme provision for the year of £4.5 million. An analysis of the main items of expenditure is shown at note 6 to the Core Financial Statements.

The following sources of funding were used to finance capital expenditure in 2008/09:

	£m	%
Capital Receipts	1.9	64
External Contributions	1.0	32
Revenue Contributions	0.1	4
	3.0	100

At 31 March 2009 the authority had useable capital resources that were available for use in future years; an analysis of these resources can be found in notes 18 and 19 to the Core Financial Statements. In 2005/06 the authority borrowed £5.5 million from the PWLB; no additional borrowing was undertaken during 2006/07, 2007/08, or 2008/09.

8. Trust Funds

The Council acts as trustee for a number of charities. A list of these charities, their purpose and the current net balance in respect of each is shown at note 32 to the Core Financial Statements.

9. Accounting for Fixed Assets

The Revised Code of Practice on Local Authority Accounting published by CIPFA in 1993 changed the method of accounting for fixed assets but instead of creating a revaluation reserve to record the differences between depreciated historical cost and current valuation these amounts were recorded in the Fixed Asset Restatement Account. From the 1 April 2007 authorities are required to record accumulated gains on fixed assets arising from increases in value and associated additional depreciation.

In order to secure a consistent approach across all authorities, the reserve had to be implemented without prior period adjustments, such that comparative figures are brought forward unchanged, except for the new balances. As a result the opening Balance Sheet for 2007/8 shows the Revaluation Reserve with a zero balance and a Capital Adjustment Account that incorporates the balance previously held in the Fixed Asset Restatement Account and the Capital Financing Account.

Revenue accounts now receive a depreciation charge for all assets used in the delivery of services, irrespective of how their acquisition was originally financed. The significant accounting change introduced by the above Code of Practice and subsequent changes in accounting for fixed assets have been designed so that they have no impact on the level of council tax, but they do allow for a more realistic value of the Council's assets to be shown in the balance sheet.

10. Impairment of Fixed Assets

As a result of the recent changes in the United Kingdom economy a review of the value of the councils fixed assets has been undertaken. As a result of the decrease in the value of these assets an impairment charge of £13.5 million has been made as an exceptional item to the councils Income and Expenditure Account, and decreased the Net Worth of the authority. The impairment change has no effect on the Council Tax since the effect is reversed out in the Statement of Movements on the General Fund Balances.

11. Introduction of the Euro

The Council is following developments in any potential introduction of the Common European Currency (the Euro). It is essential that any implications for financial systems and business arrangements are identified at an early stage. At 31 March 2009 the authority had neither identified nor incurred any liabilities in relation to any possible future introduction of the Euro.

12. Pensions

These Statements have been prepared in accordance with Financial Reporting Standard (FRS) 17 – Retirement Benefits. The Balance Sheet shows a Pensions liability of £28.8 million, which reduces the net worth of the Council by some 47.8%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

13. Further Information

Further information about the Council's accounts is available from the Strategic Director - Resources, Civic Centre, High Street, Esher, Surrey, KT10 9SD.

14. Conclusion

The financial results for the year are again satisfactory and in accordance with the Council's medium term financial strategy, and careful management of the Council's services has enabled efficiency savings to be made during the year. Further efficiency measures and opportunities to increase income will be sought during the year, with particular reference to the authority's two year programme of value for money reviews. The Council's overall objective is to limit any increase in its element of the council tax whilst maintaining and where possible enhancing the range and quality of services provided to the Borough's residents.

Statement of Responsibilities

The accounts for 2008/09 have been prepared in line with the 'Code of Practice on Local Authority Accounting in Great Britain: Statement of Recommended Practice' as developed by the CIPFA/LASAAC Joint Committee and last revised and published in 2008.

The Council's financial responsibilities are assigned as follows:

The Authority is required to :

- * make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (Strategic Director – Resources) has responsibility for the administration of those affairs
- * manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- * approve the financial statements.

The Strategic Director – Resources 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 United Kingdom ('the Code of Practice'). In preparing this statement of accounts, the Strategic Director – Resources has:

- * selected suitable accounting policies and then applied them consistently
- * made judgements and estimates that were reasonable and prudent
- * complied with the Code of Practice
- * kept proper accounting records which were up to date
- * taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Council's accounts for the year 2008/09 present fairly the financial position of the authority at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.



Sarah Selvanathan
Strategic Director - Resources

Date 29 September 2009

Approval of Accounts

I confirm that these accounts were approved by the Audit and Standards Committee on 24 June 2009

Signed on behalf of Elmbridge Borough Council.



Councillor Roy Taylor
Leader of the Council

Date 29 September 2009

Independent auditor's report to Members of Elmbridge Borough Council

Opinion on the financial statements

- 1 I have audited the Authority's accounting statements and related notes of Elmbridge Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.
- 2 This report is made solely to the members of Elmbridge Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Strategic Director - Resources and Auditor

- 3 The Strategic Director - Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.
- 4 My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 5 I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.
- 6 I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.
- 7 I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

- 8 I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.
- 9 I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

- 10 In my opinion the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

- 12 I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

- 13 I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Elmbridge Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

- 14 I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Paul Grady
District Auditor
Audit Commission
1st Floor
CEC Business Centre
Crossweys
28-30 High Street
Guildford
GU1 3EL**

29 September 2009

Statement of Main Accounting Policies

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, last revised and published in 2008 by the CIPFA/LASAAC Joint Committee. These accounts also comply with the guidance notes issued by CIPFA/LASAAC on the application of accounting standards, except where otherwise specifically stated. The accounts are prepared using the convention of historic cost modified by the revaluation of certain categories of assets.

2. Fixed Assets

The value of fixed assets as shown in the balance sheet has been determined in line with the CIPFA/LASAAC revised Code of Practice for Capital Accounting which took effect from 1 April 1994. These guidelines recommend that assets should formally be revalued on a five year rolling programme. All the assets of the Council which are subject to the revised Code of Practice have been valued by either a professionally qualified valuer (BSc, MRICS) employed by the authority, or by Cluttons LLP Chartered Surveyors, Drivers Jonas Chartered Surveyors or Cattaneo Professional Valuers.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

As the Revaluation Reserve was required to be created with a zero balance it only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Properties and other fixed assets are valued as follows:

Operational:

Land and buildings are valued on the basis of open market value for existing use or, where this cannot be assessed because there is no market for the asset, the depreciated replacement cost.

Vehicles, plant and equipment, are not subject to revaluation. On the grounds of materiality, historical cost is used as a proxy for current value.

Infrastructure and community assets are not revalued but included in the balance sheet at historic cost.

Non Operational:

Assets under construction are valued on the basis of those costs incurred up to 31 March.

Land Awaiting Development is valued on the basis of open market value for its proposed use.

Investment properties are valued on the basis of open market value.

Surplus Assets awaiting Disposal are valued on the basis of their open market value.

Assets are re-valued over a five year rolling programme; an analysis of the values, including the year in which valuations have been undertaken, is shown in Note 6 to the Core Financial Statements.

3. Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18 – Accounting Policies. This means that sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

4. Depreciation

All fixed assets, other than freehold land and investment properties, are depreciated as set out below:

- Vehicles – the reducing balance method at a rate of 33% for vehicles with a 10 year expected life and 55% for those with a 5 year expected life has been used; this reflects the fact that these assets depreciate more quickly in the early rather than in the later years of their economic life.
- Buildings and Other Equipment - are depreciated using the straight-line method, based on the following economic lives:

Class of Asset	Economic Useful Life (Years)
Equipment:	
IT Equipment	7
Recycling Containers Boxes / Wheeled Bins	10/14
General Building Fixtures and Fittings (including CCTV)	7-10
Specific items of Plant	10-30
Playground Equipment and Fencing	12-15
Notice Boards and Parking Pay Machines	10
Tennis Courts	6
All Other Equipment	5
Buildings:	
Elm Grove Public Hall	10
Vine Public Hall *	40
Public Conveniences **	25-35
Timber Built Pavilions	25
Lower Green Community Centre and Thames Ditton Youth Centre	30
Day Centres, Other Public Halls, Hurst Pool and Car Parks	40
Mill Road Depot ***	30
Cemetery Houses and Chapels	40-50
Brick Built Pavilions	50
Xcel Centre	50
Civic Centre	40
Stompond Lane	5-20

* In 2008/9 following revaluation the economic life of Vine Public Hall was increased from 20 to 40 years. This had the financial effect of reducing the annual depreciation charge from £16,500 to £8,250.

** In 2008/9 following revaluation the economic life of Churchfield Road Weybridge public convenience was increased from 25 to 35 years. This had the financial effect of reducing the annual depreciation charge from £1,800 to £1,286.

*** In 2008/9 following revaluation the economic life of Mill Road Depot was reduced from 40 to 30 years. This had the financial effect of increasing the annual depreciation charge from £75,000 to £100,000

Infrastructure assets are not depreciated, given that either the depreciation charge would be immaterial or the asset life is indeterminate.

5. Stocks and Works in Progress

Stocks 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 and SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the difference in treatment is not material.

Work in progress on incomplete jobs is valued at cost, including an allocation of any appropriate overheads.

6. Finance and Operating Leases

There are no material finance leases. An analysis of operating leases is shown in Note 30 to the Core Financial Statements.

7. Costs of Support Services

Costs of support services relating to the Council's corporate costs (as defined by the CIPFA Best Value Accountancy Code of Practice) and the cost of its democratic processes are retained within the Corporate Development Portfolio. The treatment of these costs complies with CIPFA guidelines. All other management and administration costs have been fully recharged to services. The most appropriate basis of cost allocation is chosen for each individual support service.

8. Provisions

The Council sets aside provisions for specific future expenses which are likely or are certain to be incurred but the amount of which cannot yet be determined accurately.

9. Reserves

The Council maintains certain reserves to meet general and specific future expenditure. The type and purpose of the Council's reserves are explained in Notes 18, 20 and 21 to the Core Financial Statements.

10. Pensions

The pension costs charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

These contributions have been determined on the basis of rates that are set to meet 100% of the liabilities of the Superannuation Fund for that service. In accordance with relevant Government regulations, and in order to achieve a 100% solvency level, the actuary to the Superannuation Fund determined that significantly increased levels of contributions were necessary. This was phased in with effect from 1996/97, and continues to result in steadily rising levels of annual contributions.

The Council complies with the accounting requirements of FRS17 - Accounting for Pension Costs. There is no impact on the revenue account of the authority as a result of the application of FRS17 requirements.

In line with the recommendations contained in the Audit Commission Paper "Retiring Nature – Early Retirement in Local Government", the Council contributes to the Superannuation Fund the additional pension costs payable as a result of any non-ill health early retirements over a period of up to three years.

11. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

12. 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
- 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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all but one of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a loan to a voluntary organisation at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account 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 at a marginally higher effective rate of interest than the rate receivable from the voluntary

organisations, 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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
- 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the 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, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

13. Intangible Assets and Revenue Expenditure funded from Capital Resources Under Statute

Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Revenue Expenditure funded from Capital Resources Under Statute

Revenue Expenditure funded from Capital Resources Under Statute represent capital expenditure which has not resulted in the acquisition or enhancement of any fixed asset e.g. Private Sector Housing Grants and Grants to developers for Affordable Housing Schemes. The accounting treatment for capital expenditure of this nature is for it to be written to the Income and Expenditure Account in the year in which it is incurred.

14. Useable Capital Receipts

This is income received from the sale of assets.

15. Capital Adjustment Account

The Capital Adjustment Account includes the sums required by Government regulations to be set aside from receipts obtained from the sale of assets for the repayment of external loans, and details the amount of capital expenditure financed from revenue and from usable capital receipts. It also contains the difference between amounts provided for historic cost depreciation and the amount which is required to be charged to revenue accounts to repay the principal on external loans (known as the Minimum Revenue Provision). From 2007/8 the account also includes the written down book value of any assets disposed and all revaluation adjustments prior to 31 March 2007.

16. Grants

Revenue grants and subsidies have been credited to the appropriate revenue account and accruals have been made for balances anticipated to be receivable for the period to 31 March 2009.

Where the acquisition of a fixed asset is financed either wholly or in part by Government grant or other contribution, the amount of the grant or contribution is credited initially to the Capital Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset, to match the amount of depreciation charged on the asset to which it relates.

17. Companies and Joint Ventures

The Accounting Statement of Recommended Practice (SORP) requires the inclusion of subsidiary and associated companies which would be regarded as subsidiaries or associates under the Companies Act. Very broadly, the criteria for a subsidiary can be subdivided into two:

- when the authority owns, directly or indirectly, a majority of the shares (i.e. over 50%) - this would be a normal situation and relatively easy to ascertain;
- when the authority effectively controls the company (or has a dominant influence) through some other means - while this situation may not be so obviously clear, an authority should know which companies it controls.

The criteria for an associated company, which is one of significant influence, is generally taken as that of the Council owning between 20% and 50% of the shares of the company concerned, as stated in FRS 2 – Accounting for Subsidiary Undertakings.

Joint ventures are defined in accordance with FRS 9 – Associates and Joint Ventures, as situations in which a parent local authority holds an interest on a long-term basis in an entity and that entity is jointly controlled by the local authority and one or more other public or private sector entities under a contractual arrangement (i.e. none of the parties can alone control the entity's operating and financial policies, and the consent of each is required).

Having regard to the definitions in the 2008/09 SORP, the Council does not have any interest which would be classified as either company subsidiaries or associates, and has not included group accounts in this statement.

Income and Expenditure Account

<u>2007/08</u>			<u>2008/09</u>		
Net Expenditure / (Income)		N o t e	Gross Expenditure	Gross Income	Net Expenditure / (Income)
£'000			£'000	£'000	£'000
	Service Expenditure				
1,359	Central Services to the Public	(1)	2,964	1,594	1,370
11,773	Cultural, Environmental and Planning Services		19,207	6,697	12,510
(587)	Highways, Roads and Transport Services		2,100	2,713	(613)
3,055	Housing		37,616	35,438	2,178
2,534	Social Services		3,660	1,803	1,857
2,193	Corporate and Democratic Core		2,331	12	2,319
324	Non Distributed Costs		508		508
-	Exceptional Item - Impairment	(6)	13,468		13,468
20,651	Net Cost of Services		81,854	48,257	33,597
300	Loss / (Gain) on the Disposal of Fixed Assets				(15)
48	Parish Council Precept				48
243	Interest Payable				239
(1,040)	Gains on Sale of Former Council Houses	(2)			(239)
13	Contribution of Housing Receipts to Government Pool				14
(2,584)	Interest and Investment Income				(2,790)
(46)	Pension Interest Cost and Expected Return on Pension Assets	(3)			873
17,585	Net Operating Expenditure				31,727
(11,740)	Precept demanded from the Collection Fund				(11,834)
(162)	Collection Fund surplus				(101)
(5,317)	Contribution from Non-Domestic Rate Pool				(5,570)
	General Government Grants				
(892)	Government Formula Grant				(775)
-	Area Based Grant - Climate Change				(23)
(941)	Local Authority Business Growth Incentive Scheme	(4)			(256)
(1,467)	(Surplus) / Deficit for the Year				13,168

Statement of Movement on the General Fund Balance

2007/08			2008/09
£'000		Notes	£'000
1,467	Surplus / (Deficit) for the year on the Income and Expenditure Account		(13,168)
(1,354)	Net additional amount required by statute and non-statutory proper practices to be (debited) or credited to the General Fund Balance for the year	(5)	13,144
113	Increase / (Decrease) in General Fund balance for the Year		(24)
5,262	General Fund Balance brought forward		5,375
5,375	General Fund Balance carried forward		5,351

Statement of Total Recognised Gains and Losses

2007/08			2008/09	
£'000		Notes	£'000	£'000
1,467	Surplus / (Deficit) for the Year on the Income & Expenditure Account			(13,168)
3,673	Surplus / (Deficit) arising on revaluation on fixed assets	(20)	3,549	
5,467	Actuarial gains and (losses) on pension fund assets and liabilities	(21)	(13,894)	(10,345)
	Other gains and (losses) required to be included in the STRGL			
(420)	Surplus / (Deficit) for the year on Collection Fund	(21)	(54)	
(75)	Financial Instruments Adjustment Account		75	21
10,112	Total recognised gains and (losses) for the year			(23,492)

The decrease in the Councils net worth of £23.5 million is mainly due to the impairment of its fixed assets and the increase in the pension fund deficit.

Balance Sheet

31 March 2008			31 March 2009
£'000		Notes	£'000
	Fixed Assets		
	Operational Assets :	(6)	
61,035	Land and Buildings		51,169
3,934	Vehicles, Plant and Equipment		4,263
437	Infrastructure Assets		437
255	Community Assets		470
	Non - Operational Assets :	(6)	
5,253	Investment Properties		5,384
84	Assets Under Construction		1,072
2,100	Surplus, Held for Disposal		1,310
1,303	Intangible Assets	(7)	1,079
74,401	Total Fixed Assets		65,184
71	Long Term Debtors	(8)	45
13,000	Long Term Investments	(9)	17,000
87,472	Total Long Term Assets		82,229
	Current Assets		
93	Stocks and Work in Progress	(10)	100
7,668	Debtors	(8)	9,468
(1,443)	Less: Provision for Doubtful Debts	(8)	(1,891)
24,900	Investments	(9)	18,400
1,057	Cash and Bank		1,334
32,275	Total Current Assets		27,411
	Current Liabilities		
(10,902)	Creditors	(11)	(10,060)
(10,902)			(10,060)
21,373	Net Current Assets		17,351
108,845	Total Assets less Current Liabilities		99,580
	Long Term Liabilities		
(55)	Deferred Capital Receipts	(12)	(31)
(230)	Provisions	(13)	(130)
(2,055)	Capital Grants Deferred	(14)	(2,583)
(2,158)	Capital Grants Unapplied	(17)	(2,142)
(5,500)	Long Term Borrowing	(15)	(5,500)
(14,989)	Liability Relating to Defined Benefit Pension Scheme	(16)	(28,828)
83,858	Total Assets less Liabilities		60,366
	Financed By:		
16,561	Useable Capital Receipts Reserve	(18)	15,233
63,786	Capital Adjustment Account	(19)	50,964
3,641	Revaluation Reserve	(20)	6,991
8,688	Earmarked Revenue Reserves	(21)	9,838
(14,989)	Pensions Reserve	(21)	(28,828)
(75)	Financial Instruments Adjustment Account		-
	Balances		
871	Collection Fund	(21)	817
5,375	General Fund	(21)	5,351
83,858	Total Net Worth		60,366

Cash Flow Statement

2007/08		2008/09	
£'000	Revenue Activities	£'000	£'000
	Cash Outflow		
11,593	Cash paid to and on behalf of Employees	11,591	
46,995	NDR payments to Pool	52,700	
73,722	Precepts paid	78,003	
26,620	Other operating costs	27,093	
25,232	Housing benefits	28,117	
184,162			197,504
	Cash Inflow		
81,263	Council Tax	85,593	
5,317	Contribution from Non Domestic Rates Pool	5,570	
50,172	Non Domestic Rate Income	52,825	
31,492	DWP Grants for Benefits	31,586	
892	Formula Grant	775	
625	Other Government Grants	1,451	
10,794	Goods and Services	10,785	
4,180	Other revenue cash income	4,479	
(184,735)			(193,064)
(573)	Net cash (inflow)/ outflow on revenue activities		4,440
	Servicing of Finance		
	Cash Outflow		
243	Interest paid		239
	Cash Inflow		
(1,905)	Interest received		(3,002)
	Capital Activities		
	Cash Outflow		
901	Purchase of fixed assets	2,706	
869	Other capital cash payments	617	3,323
1,770			
	Cash Inflow		
(642)	Capital grants received	(1,650)	
(3,756)	Sale of fixed assets	(1,344)	
(4,398)			(2,994)
(4,863)	Net Cash Flow Before Financing		2,006
	Management of Liquid Resources		
-	Net increase / (decrease) in short term deposits		
4,455	Net increase / (decrease) in other liquid resources	(2,283)	(2,283)
	Financing		
-	Movements of Long Term Borrowing	-	
(408)	Net (Increase) / Decrease in Cash		(277)

The notes to the Cash Flow Statement are set out at note 22 to the Core Financial Statements.

Notes to the Core Financial Statements

1. Central Services to the Public

The main items included in 'Central Services to the Public' in the Income and Expenditure Accounts are as follows:

2007/08		2008/09		
Net Expenditure / (Income) Restated		Gross Expenditure	Income	Net Expenditure / (Income)
£'000		£'000	£'000	£'000
158	Electoral Registration and Elections	203	14	189
55	Local Land Charges	355	264	91
387	Grants and Aid	452	11	441
18	Emergency Planning	51	16	35
(219)	Other Operations	375	617	(242)
178	Business Management	377	214	163
782	Local Taxation	1,151	458	693
1,359		2,964	1,594	1,370

2. Gains on Sale of Former Council Houses

On the 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 2008/09, £238,509 (2007/08 - £973,126), after taking account of the cost of sales, was due to be paid to the Council. The income can only be used to finance capital expenditure, or repay debt, and has been transferred to the Useable Capital Receipts Reserve.

3. Pensions

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council. This is a funded scheme, with the authority and employees paying contributions into a fund, calculated at a level intended to balance pensions liabilities with investment assets.

The cost of retirement benefits is recognised in the net cost of services within the Income and Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which the Council is required to make against council tax is based on the amount due in the year; thus the real cost of retirement benefits is reversed out of the General Fund Balance, as part of the Statement of Movements on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account during the year:

2007/08		2008/09	
£'000		£'000	£'000
	Net Cost of Services		
(1,662)	Current service cost	(1,170)	
(221)	Past service costs	(508)	
-	Curtailment and settlements	-	(1,678)
	Net Operating Expenditure		
(4,834)	Interest cost	(5,484)	
4,880	Expected return on assets in the scheme	4,611	(873)
	Amounts to be met from Government Grants and Local Taxation		
(635)	Movement on pension reserve [Note 5]		(55)
	Actual amount charged against council tax for pensions in the year:		
(2,472)	Employer's contribution payable to the scheme		(2,606)

Additional information on pension fund liability can be found at note 16 to the Core Financial Statements. 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.

4. Local Authority Business Growth Incentive Scheme

During 2008/09 the Government awarded an additional grant to those local authorities which met certain criteria in respect of business growth in their area. The additional grant received during 2008/09 related to the period December 2005 and December 2008 as an adjustment to the sum received previously for that period. The authority agreed to set up a strategic reserve to hold sums received from this source. The sum of £256,261 was received in 2008/09 for previous years (£940,631 was due to be received for 2007/08). This has been transferred to this reserve and forms part of the contribution to earmarked reserves shown in the Statement of Movements on the General Fund Balances.

5. Statement of Movements on the General Fund Balances

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed; and
- retirement benefits are charged as amounts become payable to the pension funds, rather than as future benefits are earned.

The movement on the General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. The reconciliation statement set out below summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The amounts additional to the surplus or deficit on the Income and Expenditure Account that are required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year comprise the following:

2007/08			2008/09
£'000		Notes	£'000
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(263)	Amortisation of intangible fixed assets	(7)	(317)
(1,227)	Depreciation and impairment of fixed assets	(6)	(14,875)
1,066	Amounts treated as revenue income in accordance with the SORP but treated as capital receipt by statute	(18)	533
704	Capital Grants Deferred amortisation matching depreciation and impairments	(14)	565
(1,968)	Amounts treated as revenue expenditure in accordance with the SORP but which are treated as capital expenditure by statute (ie Deferred Charges)	(6)	(602)
(300)	Net gain or loss on sale of fixed assets	(18)	15
635	Amount by which pension costs calculated in accordance with the SORP are different from the contributions due under pension scheme regulations	(3)	55
(1,353)	Increase/(Decrease) in General Fund Balance for the Year		(14,626)
	Amounts not included in the Income & Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
207	Statutory provision for repayment of debt	(6)	103
67	Capital Expenditure charged to the General Fund Balance	(6)	74
(13)	Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(18)	(14)
261	Increase/(Decrease) in General Fund Balance for the Year		163
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year		
52	Voluntary provision for repayment of debt	(6)	169
2,394	Net transfer to or (from) earmarked reserves	(21)	1,150
2,446			1,319
1,354	Total net additional amount		(13,144)

6. Net Fixed Assets

Operational Assets	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 31 March 2008	62,609	6,357	437	263	69,666
Accumulated Depreciation and Impairment	(1,574)	(2,423)	-	(8)	(4,005)
Net book value as at 31 March 2008	61,035	3,934	437	255	65,661
Certified Valuation at 31 March 2009	65,672	7,128	437	481	73,718
Accumulated Depreciation and Impairment	(14,503)	(2,865)	-	(11)	(17,379)
Net book value as at 31 March 2009	51,169	4,263	437	470	56,339
Reconciliation of Movement in 2008/09					
Reclassifications	-	12	-	55	67
Additions	223	894	-	163	1,280
Disposals	-	(135)	-	-	(135)
Revaluations	2,840	-	-	-	2,840
Depreciation Adjustments on Revaluation	709	135	-	-	844
Depreciation	(828)	(577)	-	(3)	(1,408)
Impairments	(12,810)	-	-	-	(12,810)
Total Movement in 2008/09	(9,866)	329	-	215	(9,322)

The following table breaks down the fixed asset portfolio valuation over the years in which the valuations were made.

Operational Assets	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	-	7,128	437	481	8,046
Valued at Current Value in:					
2008-2009	12,718	-	-	-	12,718
2007-2008	22,095	-	-	-	22,095
2006-2007	28,413	-	-	-	28,413
2005-2006	1,623	-	-	-	1,623
2004-2005	823	-	-	-	823
Total	65,672	7,128	437	481	73,718

Non Operational Assets	Investment Properties	Assets under Construction	Surplus Assets awaiting Disposal	Total
	£'000	£'000	£'000	£'000
Certified Valuation at 31 March 2008	5,253	84	2,100	7,437
Accumulated Depreciation and Impairment	-	-	-	-
Net book value as at 31 March 2008	5,253	84	2,100	7,437
Certified Valuation at 31 March 2009	6,170	1,072	2,100	9,342
Accumulated Depreciation and Impairment	(786)	-	(790)	(1,576)
Net book value as at 31 March 2009	5,384	1,072	1,310	7,766
Reconciliation of Movement in 2008/09				
Reclassifications	-	(67)	-	(67)
Additions	-	1,072	-	1,072
Disposals	-	(17)	-	(17)
Revaluations	917	-	-	917
Depreciation	-	-	-	-
Impairments	(786)	-	(790)	(1,576)
Total Movement in 2008/09	131	988	(790)	329

The following table breaks down the fixed asset portfolio valuation over the years in which the valuations were made.

Non Operational Assets	Investment Properties	Assets under Construction	Surplus Assets awaiting Disposal	Total
	£'000	£'000	£'000	£'000
Valued at historical cost	-	1,072	-	1,072
Valued at Current Value in:				
2008-2009	4,324	-	-	4,324
2007-2008	1,846	-	-	1,846
2006-2007	-	-	2,100	2,100
2005-2006	-	-	-	-
2004-2005	-	-	-	-
Total	6,170	1,072	2,100	9,342

In the 2008/09 Income and Expenditure Account a charge of £13.5 million has been made as an exceptional item for the decrease in the value of assets as a result of the current economic climate. It has been treated as an exceptional item because of the value of the adjustment and it is considered to be a one off event.

The following table provides a breakdown of the impairments made to the asset values and reconciles the amount charged to the Income and Expenditure Account.

Asset Type	Investment Properties	Surplus Assets awaiting Disposal	Land & Buildings	Total
	£'000	£'000	£'000	
Civic Centre	-	-	5,960	5,960
Car Parks	-	-	2,763	2,763
Sports Ground	-	-	120	120
Leisure Centre	-	-	3,132	3,132
Swimming Pool	-	-	12	12
Walton Town Centre	-	-	823	823
Walton Pool	-	700	-	700
Public Conveniences	-	90	-	90
North Weylands	786	-	-	786
Total Impairment to Assets at 31.3.09	786	790	12,810	14,386
Less Charged to Revaluation Reserve:				
North Weylands	(786)	-	-	(786)
Sports Ground	-	-	(110)	(110)
Civic Centre	-	-	(2,408)	(2,408)
Add Downward revaluation at 1.4.08				
Day Centres	-	-	2,177	2,177
Public Conveniences	-	-	35	35
Miscellaneous Investment Properties	174	-	-	174
Total Impairment Charge to Expenditure & Income Account	174	790	12,504	13,468

The main items of Capital Expenditure in the year were:

2007/08		2008/09
£'000		£'000
30	Synthetic Turf Pitch and Xcel Leisure Centre	1,274
411	Other	458
288	Private Sector Housing Grants	297
410	IT Development	260
130	CCTV	229
191	Playground Refurbishments / Tennis Courts	213
307	Public Building Acquisition and Enhancements	202
-	Long Ditton Cemetery Extension	114
1,350	Affordable Housing Grants	-
3,117	Total	3,047

Capital Expenditure was financed as follows:

2007/08		2008/09
£'000		£'000
5,182	Opening Capital Financing Requirement	4,923
	Capital Investment	
686	Operational Assets	1,280
85	Non-Operational Assets	1,072
378	Intangible Assets	92
1,968	Deferred Charges / De minimis Assets / Non Value Enhancements	603
	Sources of Finance	
(2,400)	Capital Receipts	(1,879)
(650)	Government Grants and Other contributions	(1,094)
(326)	Sums set aside from Revenue (NB: Includes direct revenue financing, MRP and any voluntary set aside)	(345)
4,923	Closing Capital Financing Requirement	4,652
	Explanation of Movement in Year	
-	Increase / (Decrease) in underlying need to borrow (supported by Government financial assistance)	-
(259)	Increase / (Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(271)
(259)	Increase/(Decrease) in Capital Financing Requirement	(271)

The major fixed assets of the authority as at 31 March 2009 consisted of:

31/03/2008		31/03/2009
1	Civic Centre	1
9	Public Halls, Youth and Community Centres	9
3	Commercial Properties	3
1	Leisure Centre	1
1	Swimming Pools	1
6	Day Centres	6
27	Car Parks	27
7	Cemeteries	7
766	Public Open Spaces- hectares	766
9	Public Conveniences	9
2	Surplus Assets awaiting Disposal	2
1	Assets under Construction	1

Revenue Expenditure funded from Capital Resources Under Statute

Revenue Expenditure funded from Capital Resources Under Statute represent capital expenditure which has produced no realisable asset e.g. Private Sector Housing (Improvement) Grants. From April 2004 computer software has been treated as an Intangible Asset. The movements in the year were as follows:

	Balance at 31/03/2008	Expenditure	Transfers / Written Off	Balance at 31/03/2009
	£'000	£'000	£'000	£'000
Improvement Grants	-	297	(297)	-
Other	-	83	(83)	-
	-	380	(380)	-

7. Intangible Assets

Intangible Assets	Doc / Record Mgmt £'000	Financial Mgmt Systems £'000	Housing Needs £'000	Land Charges & Spatial Data £'000	IT Infrastructure £'000	Revenues and Benefits £'000	Other Systems £'000	Total £'000
Original Cost	158	169	71	458	763	416	201	2,236
Reclassified	78	-	-	-	-	-	(78)	-
Amortised to 1 April 2008	-	(103)	(51)	(243)	(328)	(163)	(45)	(933)
Balance at 1 April 2008	236	66	20	215	435	253	78	1,303
Expenditure in year	32	-	-	-	17	-	44	93
Written off to revenue in year	(34)	(24)	(10)	(66)	(110)	(59)	(14)	(317)
Balance at 31 March 2009	234	42	10	149	342	194	108	1,079

The authority has incurred no expenditure on licences, trademarks and artistic originals or patents. The cost of software licences is being written off over seven years.

8. Debtors

31/03/2008 £'000		31/03/2009 £'000
	Long Term Deferred Debtors	
63	Sale of (former) Council Houses	38
8	House Purchases	7
71		45

31/03/2008 £'000		31/03/2009 £'000
	Other Debtors	
34	Payments in Advance	36
855	Government Departments	3,177
277	Surrey County Council (Agency Services)	157
5,027	Sundry Debtors	3,990
1,475	Collection Fund Debtors	2,108
7,668		9,468
1,443	Less Provision for Doubtful Debts	1,891
6,225		7,577

The increase in government department debtors relates to money due for Housing Benefits Subsidy (£1,172,742) and from the Business Rates Pool (£1,695,744), the authority owed money to these government departments at 31 March 2008.

9. Investments

At 31 March 2009 the balance of funds invested was £35.4 million, a decrease of £2.5 million from the previous year.

The investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31/03/08	31/03/09	31/03/08	31/03/09
	£'000	£'000	£'000	£'000
Loans and receivables	13,000	17,000	24,900	18,400
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	13,000	17,000	24,900	18,400

10. Stocks and Work in Progress

31/03/2008		31/03/2009
£'000		£'000
25	Paper	26
16	Day Centre Food etc	16
4	Museum Goods	4
8	Wheelie Bins	33
16	Postages	13
14	Community Alarms	3
9	Other	4
1	Work in Progress	1
93		100

11. Creditors

31/03/2008		31/03/2009
£'000		£'000
1,735	Government Departments	50
4,550	Sundry Creditors	5,486
4,617	Receipts in Advance	4,524
10,902		10,060

The main reasons for the decrease in creditors is Housing Benefits Subsidy (£1,278,182) and the Business Rates Pool (£416,858) the authority is owed money from these government departments at 31 March 2009.

12. Deferred Capital Receipts

These are receipts that are derived from the sale of assets, that will be received over a period of time in instalments, and arise from mortgages on the sale of former council houses.

13. Provision

In 2004/05 a claim was made against the Council in the High Court for damages in respect of land abutting a Council owned asset. During 2005/06 the High Court found in favour of the claimant and although the final value of this claim has still to be determined an appropriate provision has been made for settlement of the claim, including costs. The final cost to the Council is still to be determined, although a sum has been lodged with the Court in respect of an estimate of damages related to the claim.

14. Capital Grants Deferred

Grants and other contributions which relate to the funding of expenditure incurred against fixed assets are credited to the Capital Grants Deferred, which are used to offset depreciation charges made for the subsequent use of the fixed asset, and does not represent money that may be used to finance new capital expenditure.

2007/08		2008/09
£'000		£'000
2,114	Opening Balance	2,055
648	Receipts in Year	1,093
2,762		3,148
(704)	Applied in Year	(565)
(3)	Transfer to Capital Adjustment Account on Disposal	-
2,055	Balance at Year End	2,583

15. Long and Short Term Borrowing

31/03/2008		31/03/2009
£'000		£'000
	Analysis of Loans by Type	
5,500	Public Works Loan Board	5,500
5,500		5,500
	Analysis of Loans by Maturity	
-	Between 1 and 2 years	-
-	Between 2 and 7 years	-
-	Between 7 and 15 years	-
5,500	More than 15 years	5,500
5,500		5,500

The only outstanding borrowing at 31 March 2009 related to a loan made to the Council in 2005/06. In accordance with the 2007/08 SORP the loan is carried in the balance sheet at the value of the outstanding principal payment. The fair value of the Public Works Loan Board loan is £5,831,068.

At 31 March 2009 there was no outstanding short term borrowing.

16. Liability Relating to Defined Benefit Pension Scheme

Note 3 in the Core Financial Statements contains details of the Councils' participation in the Local Government Pension Scheme administered by Surrey County Council. The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2009 are as follows:

	Local Government Pension Scheme				
	31/03/2005	31/03/2006	31/03/2007	31/03/2008	31/03/2009
	£'000	£'000	£'000	£'000	£'000
Estimated Liabilities in Scheme	(80,345)	(92,105)	(90,502)	(80,367)	(77,862)
Estimated Assets in Scheme	54,510	66,120	69,411	65,378	49,034
Net Asset / (Liability)	(25,835)	(25,985)	(21,091)	(14,989)	(28,828)

The liabilities show the authority's long term commitment for the payment of retirement benefits. The total liability of £28.8 million has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit on the Local Government Pension Scheme require the net liability to be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, which estimates the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Surrey County Council Pension Fund liabilities have been assessed by an independent firm of actuaries; estimates for the Surrey Fund are based on the latest full valuation of the scheme as at 1 April 2008.

The main assumptions used in the actuarial calculations have been:

Assumptions as at	Local Government Pension Scheme				
	31/03/2005	31/03/2006	31/03/2007	31/03/2008	31/03/2009
	%	%	%	%	%
Rate of inflation	2.90	3.10	3.20	3.60	3.10
Rate of increase in salaries	4.40	4.60	4.70	5.10	4.60
Rate of increase in pensions	2.90	3.10	3.20	3.60	3.10
Rate for discounting scheme liabilities	5.40	4.90	5.40	6.90	6.90

Life expectancy is projected to calendar year 2033 for non pensioners and 2017 for pensioners. The average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners	22.6 years	25.5 years

Assets in the Surrey County Council Pension Fund are valued at fair value, principally the market value for investments, and consist of the following categories by proportion of the total assets held by the Fund:

	Long-Term Return									
	31/03/2005		31/03/2006		31/03/2007		31/03/2008		31/03/2009	
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000
Equities	7.7	40,310	7.4	49,600	7.8	51,373	7.7	46,442	7.0	35,795
Bonds	4.8	9,840	4.6	11,650	4.9	12,368	5.7	12,517	5.4	8,826
Property	5.7	3,240	5.5	3,740	5.8	4,333	5.7	4,773	4.9	2,942
Cash	4.8	1,120	4.6	1,130	4.9	1,337	4.8	1,646	4.0	1,471
Total	7.1	54,510	6.8	66,120	7.1	69,411	7.1	65,378	6.5	49,034

The percentages shown in the table above are the actuary's anticipated long term rates of return on each individual class of investments.

The pension fund actuary estimates that the Employer's contributions for the year to 31 March 2010 will be approximately £1,986,000.

17. Capital Grants Unapplied

These are grants from various sources which are earmarked to assist in funding capital schemes, but which have yet to be used.

2007/08		2008/09
£'000		£'000
2,118	Opening Balance	2,158
647	Receipts in Year	1,878
2,765		4,036
-	Reclassified Receipts	(330)
(607)	Applied in Year	(1,564)
2,158	Balance at Year End	2,142

18. Useable Capital Receipts

This is net income received from the sale of assets.

2007/08		2008/09
£'000		£'000
13,738	Opening Balance	16,561
5,236	Receipts in Year	565
18,974		17,126
(2,400)	Applied in Year	(1,879)
(13)	Pooling Payments to Central Government	(14)
16,561	Balance at Year End	15,233

19. Capital Adjustment Account

The Capital Adjustment Account (formerly the Capital Financing Account) reflects the sums required by Government regulations to be set aside for the repayment of external loans from receipts obtained from the sale of assets, and details the amount of capital expenditure financed from revenue and from usable capital receipts. It also contains the difference between amounts provided for historic cost depreciation, amortisation, impairment and the amount which is required to be charged to revenue accounts to repay the principal on external loans (known as the Minimum Revenue Provision). From 2007/08 the account also includes the written down book value of any assets disposed and all revaluation adjustments prior to 31 March 2007.

2007/08		2008/09
£'000		£'000
	Capital Receipts Set Aside	
-	Receipts Set Aside to Reduce Indebtedness	-
2,400	Useable Receipts Applied	1,879
2,400	Total Capital Receipts Set Aside	1,879
	Revenue Resources Set Aside	
67	Capital Expenditure Financed from Revenue	74
(2,453)	Reconciling Amount for Provision for Loan Payments	(14,775)
(4,480)	Net Book Value Asset Disposals	-
(6,866)	Total Revenue Resources Set Aside	(14,701)
(4,466)	Total Movement on Reserve	(12,822)
68,252	Balance brought forward at 1 April	63,786
63,786	Balance carried forward at 31 March	50,964

20. Revaluation Reserve

In accordance with accounting standards this reserve was created at the 1 April 2007 with a zero balance. As a result the closing position at the 31 March 2009 only shows revaluation gains accumulated since 1 April 2007. Gains arising before that date have been consolidated into the Capital Adjustment Account.

2007/08		2008/09
£'000		£'000
3,673	Gains / (losses) on revaluation of fixed assets	3,549
(32)	Historic Cost depreciation adjustment	(199)
3,641	Total increase / (decrease) in unrealised capital resources	3,350
-	Amounts written off on fixed asset disposal	-
3,641	Total movement on Revaluation Reserve	3,350
-	Balance brought forward at 1 April	3,641
3,641	Balance carried forward at 31 March	6,991

21. Movements in Revenue Resources

	General Fund Balances	Collection Fund	Earmarked Revenue Reserves	Pension Reserves
	£'000	£'000	£'000	£'000
Surplus/(Deficit) for 2008/09	(24)	(54)	1,150	55
Appropriations from Revenue				
Actuarial gain / (loss) Relating to Pensions				(13,894)
	(24)	(54)	1,150	(13,839)
Balance brought forward at 1 April 2008	5,375	871	8,688	(14,989)
Balance carried forward at 31 March 2009	5,351	817	9,838	(28,828)

General Fund Balance

The main revenue fund of the Council, which is used to meet the cost of services principally financed through income obtained from Council Tax, Central Government grant, fees, charges and rent.

Collection Fund

A fund administered by the Council as a “charging authority”. The Council Tax and National Non-Domestic Rates are paid into this fund. National Non-Domestic Rates are paid over in full to the National Pool, administered by Central Government. The Council Tax demand of the Council and the precepts (the council tax demands of Surrey County Council, Surrey Police Authority and Claygate Parish Council) are paid out of the fund.

Any surplus or deficit is shared in accordance with statute between the major precepting authorities (Elmbridge Borough Council, Surrey County Council and Surrey Police Authority). Details of the Collection Fund Income and Expenditure Account are shown at page 45 of the Statement of Accounts.

Earmarked Revenue Reserves

Money set aside to meet particular items of future expenditure, as detailed below:

	Note	31 March 2008	Additions	Use of Reserve	31 March 2009
		£'000	£'000	£'000	£'000
Capital Expenditure	a	631	228	(74)	785
Revenue Contingency	b	666	-	-	666
Insurance	c	157	-	-	157
Interest Equalisation	d	2,138	419	-	2,557
Maintenance of Graves	e	192	-	-	192
Insurance Premium Excess	f	101	-	-	101
Mill Road Depot	g	28	-	-	28
Care and Repair	h	30	-	(30)	-
Sponsorship CCTV	l	17	-	-	17
North Weylands Industrial Estate	j	3	-	-	3
Day Centre Donations	k	85	6	-	91
Relief Care Advice Line	l	8	-	-	8
Sarah Payne Memorial Fund	m	10	-	-	10
Thames Ditton Dual Use Facility	n	10	-	(1)	9
Home Office Projects	o	465	-	(52)	413
Sponsorship of Trees	p	21	-	-	21
Planning Delivery Grant	q	584	56	(299)	341
Strategic Reserve (PDG)	r	737	-	-	737
Strategic Reserve (LABGI) *	s	2,343	256	(1,072)	1,527
Hospital Discharge Scheme	t	20	-	-	20
Waste Minimisation Grant	u	6	-	(6)	-
Revenue Risk Reserve	v	250	250	-	500
Repairs and Maintenance	w	150	150	-	300
Smoke Free	x	36	-	(15)	21
Performance Reward (LPSA) - Revenue Grant	y	-	334	-	334
Elmbridge Civic Improvement Fund	z	-	1,000	-	1,000
Total Earmarked Revenue Reserves		8,688	2,699	(1,549)	9,838

* £1,000,000 has been transferred from this reserve to establish the Elmbridge Civic Improvement Fund at 31 March 2009.

Notes to Earmarked Revenue Reserves

- | | | |
|-----------|----------------------------------|--|
| a. | Capital Expenditure | This reserve was established to facilitate the financing of capital expenditure from revenue resources. The balance held represents the overall sum available for the direct revenue financing of specific projects which was unused at 31 March 2009. |
| b. | Revenue Contingency | The Council's policy is to provide for revenue contingencies by way of a reserve set up for the purpose, it may also be used to fund the costs associated with restructure or reorganisation of the council. |
| c. | Insurance | The Insurance Reserve covers likely future payments relating to agreed excesses on the Councils insurance policies. |
| d. | Interest Equalisation | To balance out year on year fluctuations in the external interest earned by the investment of surplus funds. |
| e. | Maintenance of Graves | Funds received to pay for the annual maintenance of graves. |
| f. | Insurance Premium excess | A reserve established to provide for the premium excess payments the authority makes each year. |
| g. | Mill Road Depot | Money held in lieu of dilapidation works deposited by an ex-occupier of Mill Road Depot. |
| h. | Care and Repair | Care and Repair funds held which have not been utilised to date. |
| i. | Sponsorship CCTV | Funding received to support CCTV schemes. |
| j. | North Weylands Industrial Estate | Deposits held for occupation of the Industrial Estate. |
| k. | Day Centre Donations | Donations made to support the ongoing provision and maintenance of day centre services. |
| l. | Relief Care Advice Line | Money held for the future support of the Relief Care Advice Line. |
| m. | Sarah Payne Memorial Fund | Money provided to pay for future maintenance of the Sarah Payne Memorial. |
| n. | Thames Ditton Dual Use Facility | A deposit held for the potential future development of a Dual Use Facility. |
| o. | Home Office Projects | Funds provided by the Home Office related to Crime and Disorder initiatives. |
| p. | Sponsorship of Trees | Money donated to provide for the future planting of trees. |
| q. | Planning Delivery Grant | A grant received by local planning authorities from Government. |
| r. | Strategic Reserve (PDG) | A proportion of the grant received by local planning authorities from Government, being held to provide short/medium term flexibility in support of the Councils' corporate revenue budget. |
| s. | Strategic Reserve (LABGI) | A grant received by local authorities from Government, resulting from an increase in rateable values, being held to provide short / medium term flexibility in support of the Council's corporate revenue budget. |
| t. | Hospital Discharge Scheme | To assist with provision of facilities to enable people to leave hospital. |
| u. | Waste Minimisation Grant | Grant received from Government in support of kerbside recycling extension across the Borough. |

- v. Revenue Risk Reserve** A reserve established to manage the revenue budget risks facing the authority.
- w. Repairs and Maintenance** A reserve established to deal with emergency repairs and maintenance and dilapidation costs to council owned property.
- x. Smoke Free** Grant money received for the promotion and education relating to "Smoke Free" legislation.
- y. Performance Reward (LPSA) Revenue Grant** The council received a revenue reward grant as a result of its participation in the Local Strategic Partnership. The reserve has been established to fund future one off revenue and capital projects.
- z. Elmbridge Civic Improvement Fund** Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement and regeneration of the borough.

Pensions Reserve

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension schemes or funds in which the authority participates. However, accounting for employees' pensions will be in accordance with generally accepted accounting practice subject to the interpretations set out in the SORP.

Where the payments made for the year in accordance with scheme requirements do not match the change in the authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This is represented by an appropriation to or from the Pensions Reserve, which equals the net change in pensions liability recognised in the Consolidated Revenue Account. The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories: measured as absolute amounts and as a percentage of assets at 31 March 2008:

	£'000	%
Differences between the expected and actual return on assets	(20,057)	(30.7)
Differences between actuarial assumptions about liabilities and actual experience	6,163	9.4
Changes in the demographic and financial assumptions used to estimate liabilities	-	
Actuarial gain / (loss) relating to pensions - 2008/09	(13,894)	
Actuarial gain / (loss) relating to pensions - 2007/08	5,467	
Actuarial gain / (loss) relating to pensions - 2006/07	4,895	
Actuarial gain / (loss) relating to pensions - 2005/06	91	
Actuarial gain / (loss) relating to pensions - 2004/05	(11,372)	

22. Notes to the Cash Flow Statement

Reconciliation of the Net Surplus / Deficit on Revenue Accounts and Revenue Activities on the Cash Flow Statement.

2007/08 £'000		2008/09	
		£'000	£'000
	Surplus on Fund Balances		
1,467	Surplus / (Deficit) on Income and Expenditure Account	(13,168)	
(1,354)	Net Additional Amount required by Statute and non statutory proper practice (See note 5 to the Core Financial Statements)	13,144	
(420)	Collection Fund	(54)	
(307)			(78)
	Movement in Current Assets		
-	Decrease / (Increase) in Stocks and Works in Progress	(7)	
(2,296)	Decrease / (Increase) in Debtors	(1,798)	
6	Decrease / (Increase) in Payments in Advance	(2)	
(2,290)			(1,807)
	Movement in Current Liabilities		
1,738	Increase / (Decrease) in Creditors	(749)	
650	Increase / (Decrease) in Receipts in Advance	(93)	
2,388			(842)
	Movement in Long Term Liabilities		
50	Provision	(100)	
50			(100)
2,394	Transfers to / (from) Other Reserves	1,150	
243	Interest Paid on Borrowing	239	
(1,905)	Interest on Balances	(3,002)	
			(1,613)
573	Net Cash Outflow from Revenue Activities		(4,440)

Reconciliation of Movement in Cash to Movement in Net Debt

	2007/08	2008/09	Movement
	£'000	£'000	£'000
Cash in Hand	4	4	-
Cash at Bank / (Overdraft)	1,053	1,330	277
	1,057	1,334	277
Debt Due After 1 year	(5,500)	(5,500)	-
Debt Due Within 1 year	-	-	-
	(5,500)	(5,500)	-
Current Asset Investments	24,900	18,400	(6,500)
Long Term Investments	13,000	17,000	4,000
	37,900	35,400	(2,500)
Net Funds / (Debt)	33,457	31,234	(2,223)

Reconciliation of Financing and Management of Liquid Resources to Opening and Closing Balance Sheet

	31/03/2008	31/03/2009	Movement
	£'000	£'000	£'000
Current Asset Investments	24,900	18,400	(6,500)
Long Term Investments	13,000	17,000	4,000
	37,900	35,400	(2,500)
Change in Accruals			217
Net Cash Flow			(2,283)

Liquid Resources

The Council defines liquid resources as all current asset investments held as readily disposable stores of value, i.e. investments which are disposable without curtailing or disrupting the authority's activities and are either readily convertible into ascertainable amounts of cash at, or close to, its carrying amount, or are assets traded in an active market.

Analysis Of Government Grants

2007/08		2008/09
£'000		£'000
31,492	Housing and Council Tax Benefit Subsidy	31,586
892	Formula Grant	775
388	Specific Capital Grants	755
5,317	Contribution from NDR Pool	5,570
275	LABGI	922
350	Other Government Revenue Grants	529
38,714	Total	40,137

23. Section 137 Local Government Act 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals. Actual expenditure incurred in the year amounted to £95,123 (£71,638 in 2007/08). This was used to make grants to voluntary bodies and old peoples' welfare committees.

24. Publicity

The Council is required to maintain a Publicity Account in accordance with Section 1 of the Local Government Act 1986. The Council's spending on publicity was as follows:

2007/08		2008/09
£'000		£'000
59	Staff Recruitment	56
71	Recycling of Refuse	53
79	Other	73
209		182

Expenditure incurred in accordance with statutory obligations on the advertisement of planning applications and car parking orders, being exempt from the requirements of the Act, are not included in the above figures.

25. Agency and Contracted Services

The Council carries out certain works for which it is reimbursed. The principal area of work in this respect is the management of on-street car parking for Surrey County Council. The Strategic Director - Services manages the service, including the collection and enforcement of parking charges. Total expenditure in 2008/09 was £527,748 (2007/08 - £631,822).

26. 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 made to all Members of the Council in 2008/09 amounted to £398,002 (2007/08 - £338,386). These allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances.

27. 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 £10,000, starting at £50,000. This sum includes benefits in respect of such items as car provision, attendance allowances and electoral fees, details of which are as follows:

Number of Employees	Remuneration Band	Number of Employees
2007/08		2008/09
6	£50,000 - £59,999	6
9	£60,000 - £69,999	5
2	£70,000 - £79,999	5
1	£80,000 - £89,999	1
-	£90,000 - £99,999	1
1	£100,000 - £109,999	1
1	£110,000 - £119,999	-
-	£120,000 - £129,999	1
-	£130,000 - £139,999	-
-	£140,000 - £149,999	-

28. 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 authority's Members and chief officers.

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

2007/08		2008/09
£		£
10,814,361	Paragon Community Housing Group	10,629,608
345,450	A2 Housing	577,690
543,192	Castle Wildish	452,911
110,311	Walton, Weybridge & Hersham CAB	115,525
74,560	Esher & District CAB	77,357
24,923	Claygate Recreation Ground Trust	33,230
29,401	Springboard Cobham	28,627
12,431	South East Employers	26,650
22,076	Voluntary Action Elmbridge	22,830
20,000	Riverhouse Barn	20,952
20,500	Elmbridge Rentstart	20,500
19,608	Local Government Association	20,469
-	Hersham Youth Trust	12,500
12,820	Vera Fletcher Hall Association	12,038
-	Brooklands Museum Trust Ltd	11,975
10,581	Relate - West Surrey	10,185
1,568	Oxshott Heath Conservators	6,750
5,000	Elmbridge Business Partnership	5,000
3,000	Elmbridge Twinning Guild	3,000
1,500	Home Start Elmbridge	2,500
2,100	Mediation North Surrey	2,100
200	Claygate Village Youth Club Association	1,210
800	Long Ditton Youth Project	500
950	Hersham in Bloom	-
(738)	Old Manhattans Cricket Club	(750)
(14,441)	CHEER	(2,860)

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.

Grants from Government departments are disclosed in a note to the Core Financial Statements.

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 2009, and the conclusion reached that there were no other material transactions with related parties in that year which are not disclosed elsewhere in this Statement of Accounts.

29. Building Control – Fee Earning Account

The Building (Local Authority Charges) Regulations 1998 instructed local authorities to ensure that charges in relation to the building control function are set at a level that ensures that costs are fully recovered. However, certain activities performed by the Council's Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control function, split between chargeable and non-chargeable activities:

Building Regulations Charging Account 2008/09	Chargeable Activities £'000	Non- Chargeable £'000	Total Building Control £'000
Expenditure			
Employee Expenses	346	104	450
Premises	38	14	52
Transport	21	6	27
Supplies and Services	18	32	50
Directorate Support	101	19	120
Central Support Services	116	53	169
Capital Financing	-	-	-
Total Expenditure	640	228	868
Income			
Building Regulation Charges	(776)	-	(776)
Miscellaneous Income	-	(10)	(10)
Total Income	(776)	(10)	(786)
(Surplus) / Deficit in Year	(136)	218	82
Comparatives for 2007/08			
Expenditure	670	208	878
Income	(879)	(24)	(903)
(Surplus) / Deficit in Year	(209)	184	(25)

30. Leases and Rentals

The Council uses photocopiers and minor kitchen equipment and provides public conveniences under the terms of various operating leases. The amounts paid under the terms of these arrangements in 2008/09 were £122,308. The leasing arrangements for the public conveniences (£118,440) are in the sixth year of its lease. The minor kitchen equipment (£3,119) is in its second year of lease. The photocopies (£749) are in the final year of their leases.

The Council has no material outstanding finance leasing arrangements.

The Council leases a number of buildings and land to companies and other public sector organisations. The rents received for those properties are shown below:

2007/08 £'000		2008/09 £'000
100	Walton Town Centre	161
408	Industrial Estates	544
42	Elmgrove (Walton on Thames)	42
31	Recreational Land	32
54	Other	45
635	Total	824

The net book value of these properties is £13.9 million (accumulated depreciation £2 million). The outstanding leases on these properties range from 1 to 101 years.

In addition the council leases a number of sites from companies and other public sector organisations :

2007/08		2008/09
£'000		£'000
54	North Weylands Industrial Estate	54
20	Other	32
74	Total	86

31. Audit Costs

In 2008/09 Elmbridge Borough Council incurred the following fees relating to external audit and inspection.

2007/08		2008/09
£	Audit/Inspection Area	£
25,698	Planning, review and reporting	26,842
36,906	Audit opinion	41,487
-	Local risk based work	-
62,604	Total Audit	68,329
	Use of Resources	
9,042	Best value/data quality	8,134
19,571	Mandated work to support Council CPA	19,921
-	Local risk based work	1,805
28,613	Total Use of Resources	29,860
91,217	Total Audit and Use of Resources	98,189
	Inspection	
6,490	Annual inspection work - Council	6,569
6,490	Total Inspection	6,569
97,707	Total Audit and Inspection Fee	104,758
	Voluntary Improvement Work	
97,707	TOTAL	104,758

32. Trust Funds

The Council administers four Trust Funds, the values of which are as follows:

31/03/2008		31/03/2009
£		£
156,670	King Georges Hall	156,670
81,662	Mayor of Elmbridge Trust	76,329
61,061	Miss Harrison Bequest	56,582
96	Cyril Harvey Trust	96
299,489		289,677

Trust Funds do not represent assets of the Council, and are not included in the Balance Sheet. The purpose of each of these funds is set out below:

King Georges Hall	to provide and maintain a public hall for the use of the inhabitants of Elmbridge.
Mayor of Elmbridge Trust	to assist residents, especially young people, who are in need and to provide for victims of natural or man-made disasters.
Miss Harrison Bequest	for the benefit of old people and to make educational grants for young people.
Cyril Harvey Trust	dormant, residual amount.

33. Contingent Liabilities

There remains some uncertainty over the ability of Municipal Mutual Insurance to settle fully all outstanding claims. At this stage it is estimated that the maximum potential liability to the Council will not exceed £100,000.

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.

34. Section 106 Planning Receipts

These receipts are monies paid to the Council by developers under Section 106 of the Town and Country Planning Act 1990, and arise from the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. An analysis of the Section 106 balances held at the 31 March 2009 is set out below:

	31/3/2008	Expenditure	Income	31/3/2009
	£'000	£'000	£'000	£'000
Capital S106 Receipts				
Social Housing	821	-	-	821
Leisure	198	103	206	301
Other	20	1	73	92
	1,039	104	279	1,214
Revenue S106 Receipts	1,483	31	46	1,498
Total S106 Receipts	2,522	135	325	2,712

35. Events after the Balance Sheet Date

The 2008/09 statement of accounts were authorised for issue by Sarah Selvanathan, the Strategic Director – Resources, on 29 September 2009. All material events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date.

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit and Standards Committee on the 24 June 2009



Sarah Selvanathan
Strategic Director - Resources

Date 29 September 2009

Collection Fund Income and Expenditure Account

2007/08			2008/09
£'000		Note	£'000
	Income		
79,934	Council Tax	(1)	84,323
5,348	Council Tax Benefit	(1)	5,744
46,877	Income from Non Domestic Ratepayers	(2)	50,782
132,159			140,849
	Expenditure		
84,452	Precepts and Demands	(3)	89,165
46,683	Non Domestic Rate Payment to National Pool	(2)	50,585
194	Cost of Collection Allowance	(2)	197
1,124	Distribution of Surplus	(4)	723
106	Bad Debts Written Off		139
20	Increase / (Decrease) In Bad Debts Provision	(5)	94
132,579			140,903
420	(Surplus) / Deficit for the Year		54
	Movement on Fund Balance		
(1,291)	Balance at 1 April		(871)
	<u>LESS:</u>		
420	(Surplus) / Deficit for the Year		54
(871)	Balance at 31 March		(817)

Notes to the Collection Fund Income and Expenditure Account

1. Council Tax

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 2008/09 council tax charge for Band D properties of £1,449.86 within the Claygate Parish Area and £1,435.85 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with council tax costs under the Council Tax benefit system financed by Central Government. The amounts credited to the Collection Fund can be analysed as follows:

2007/08		2008/09
£'000		£'000
79,934	Council Tax	84,323
5,348	Council Tax Benefits	5,744
85,282		90,067

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	191		6/9	127
B	1,381	7/9	1,074		
C	5,826	8/9	5,179		
D	11,305	1	11,305		
E	9,659	11/9	11,805		
F	7,033	13/9	10,158		
G	10,196	15/9	16,992		
H	3,121	18/9	6,241		
TOTAL	48,712		62,881		
			<u>Less: Adjustments (see below)</u>	(815)	
			Council Tax Base	62,066	

An adjustment is made to reflect the estimated rate of collection of council tax for the year.

2. Income from Non Domestic Rates

It is the Council's responsibility to collect non-domestic rates for its area, based on local rateable values multiplied by a uniform rate prescribed by central Government. The total amount, less certain reliefs and other deductions, is paid into the National Non-Domestic Rate (NDR) Pool, which is managed by the Government. Local authorities are then paid their share of the pool based on a standard amount per head of population and reflected within the amount of Formula Grant paid by central Government within the annual Local Government Finance Settlement.

Under these arrangements the amounts included in the accounts for the year are as follows :

	£'000
Average Non-Domestic Rateable Value (£123.468 million) multiplied by the Uniform Business Rates (46.2p), (45.8p) for small businesses	56,549
Less : Debit adjustment made in year for empty properties and revaluations (including prior years)	5,691
Less : Reliefs and Write-Offs (net)	76
Net Sum Collectable	50,782
Less : Allowance for Collection	197
Payment to National Pool	50,585

The Non Domestic Rateable Value for the Elmbridge area at 31 March 2009 was £122.703 million.

3. Precepts and Demands

2007/08		2008/09
£'000		£'000
62,166	Surrey County Council	65,668
11,692	Elmbridge Borough Council	11,786
10,546	Surrey Police Authority	11,663
48	Claygate Parish Council	48
84,452		89,165

4. Distribution of Council Tax Surplus

2007/08		2008/09
£'000		£'000
823	Surrey County Council	532
162	Elmbridge Borough Council	101
139	Surrey Police Authority	90
1,124		723

5. Council Tax Provision for Bad Debts

2007/08		2008/09
£'000		£'000
380	Opening Balance	400
20	Increase / (Decrease) In Bad Debts Provision	94
400	Balance at Year End	494

Annual Governance Statement

1. Scope Of Responsibility

Elmbridge Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Elmbridge Borough 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, members and senior officers are responsible for putting in place proper arrangements for the governance of Elmbridge Borough Council's affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

This statement explains how Elmbridge Borough Council will comply with the Elmbridge Local Code of Corporate Governance and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

Elmbridge Borough Council has in place appropriate management and reporting arrangements to enable it to satisfy itself that the approach to Corporate Governance is both adequate and effective in practice. The Head of Paid Service, (the Chief Executive), the Section 151 Officer, (the Strategic Director – Resources) and the Monitoring Officer (the Head of Legal Services) in the Council have been given responsibility for:

- Overseeing the implementation and monitoring the operation of the Local Code of Corporate Governance
- Reviewing the operation of the Local Code of Corporate Governance in practice
- Reporting annually to the Audit & Standards Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, Elmbridge Borough Council's Head of Legal Services and Head of Internal Audit Partnership have responsibility for reviewing the arrangements independently and report annually to the Audit and Standards Committee and to provide assurance on the adequacy and effectiveness of the Council's governance arrangements and the extent of compliance with it.

In discharging the overall responsibility, Elmbridge Borough Council is also responsible for ensuring that there is a sound system of internal control that supports the achievement of the Council's objectives and includes arrangements for the management of risk.

2. The Purpose Of The Governance Framework

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

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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Elmbridge Borough Council for the year to 31 March 2009 and up to the date of approval of the Annual Report and Performance Plan and Statement of Accounts for 2008/09.

3. The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements are summarised below:

3.1 Identifying and communicating our vision and outcomes for citizens and service users

A Corporate Plan was in existence throughout the year, approved by Members in February 2008. The Corporate Plan is available on the Council's web site. This document sets out the Council's Vision for the five-year period 2008 to 2013, and the specific top priorities for 2008/09.

3.2 Reviewing our Vision and its implications for our governance arrangements

Every year the Council takes the opportunity to review priorities. Following extensive consultation with stakeholders during 2007/08, in February 2008 the Council approved a new Vision for 2008-2013, and this was effective from April 2008. During 2008/09, the Council undertook a full review, including comprehensive consultation, of its priorities for the next two years. Council approved these priorities in February 2009.

Progress towards the achievement of the objectives is monitored quarterly through the Performance Management Framework. Reports are received by the Council, Cabinet, Overview & Scrutiny Committees and by the Corporate Management Board.

3.3 Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

The Council continues to promote clear and effective communications and open consultation through its Reputation Toolkit.

The recommendations of the independent review of communications carried out by the IdeA during 2007/08 have continued to be implemented during 2008/09. Progress in implementation was monitored by the Corporate Management Board throughout the year, and following completion of these recommendations, a new action plan has been developed to ensure the Council maximises good communication and engagement opportunities to all sections of the community.

Alongside the Council's communications activities, twice yearly consultation is carried out with the Council's Residents and business Panels. The results feed into the annual review of the Council's priorities and help to feedback opinion about the Council's activities with its local communities. During 2008/09, the membership of the business Panel was refreshed and expanded, including linking it to the Elmbridge Business Network. In 2008 the Council carried out the statutory Place Survey jointly with other Surrey districts. This survey asked residents about their local area and initial results include that 91% of Elmbridge residents felt safe when outside in their local area during the day; and 90% felt informed about how and where to register to vote.

The Council has an Equality and Diversity Strategy and works with the Elmbridge Diversity Forum to help ensure that all groups in our community have a voice, can be heard and are suitably consulted.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, overview & scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's Constitution sets out how the Council operates; how decisions are made and the procedures to be followed to ensure efficiency, transparency, accountability and in accordance with legislative requirements. This includes functions and remit of:

- Council – the full Council, comprising all sixty Members, has overall responsibility for setting its Policy Framework; the annual Budget and Council Tax. The Council appoints committees/sub-committees with specific delegations. Any matters which fall outside these delegations and/or outside the Budget and Policy Framework will be considered by full Council. The Council determines the Scheme of Delegation for Officers, together with Financial and Contract Procedure Rules.
- Cabinet - comprises the Leader of the Council and up to nine Members with clearly defined Portfolio Holder remits. The Cabinet has executive decision making responsibilities, in accordance with the Council's agreed Budget and Policy Framework. The Council's Constitution also provides for Individual Cabinet Member Decision Making with a specific protocol and clear delegations. The Cabinet's published rolling Forward Plan, updated monthly, contains a schedule of Key Decisions (as defined in the Constitution) and other matters as known, to be considered by the Cabinet over the ensuing four month period.
- Overview and Scrutiny – the Council appoints three Overview and Scrutiny Committees, each covering Community, Corporate and Environmental Affairs and reflecting the relevant Portfolio Holder remits. Key Functions include:
 - - Holding the Cabinet to account;
 - - Monitoring Council performance;
 - - Developing and reviewing policy;

- Scrutinising externally issues of local public concern.
The Council's Constitution also provides for a 'Call In Procedure' to enable the relevant Overview and Scrutiny Committee to consider any proposed action agreed by the Cabinet within prescribed timescales, thereby ensuring a mechanism for holding the executive decision making to account.
- Regulatory Committees – the Council has appointed Licensing and Planning Committees (and related sub-committees) to discharge responsibilities in respect of regulatory matters as defined in their respective terms of reference.
- Audit and Standards – the Council has appointed an Audit and Standards Committee (and related sub-committees, as appropriate) to promote and maintain high standards of conduct, as well as considering matters relating to the effective management of audit activity; accounts and governance framework.

The Council's Constitution, decision making structure and arrangements, Schedule of Meetings and associated relevant reports/minutes are publicly available in accordance with access to information requirements and to encourage public involvement/attendance, as appropriate.

3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of members and officers of Elmbridge Borough Council, its partners and the community are defined and communicated through Codes of Conduct and protocols. These include:

- Members' Model Code of Conduct
- Officers' Code of Conduct
- Officers' performance management system
- Regular performance reviews for staff linked to corporate and service objectives
- An anti- fraud and corruption policy
- A Whistle-blowing policy
- A Protocol for Member/Officer Relations
- An Audit & Standards Committee comprising six Councillors, two Parish Councillors and three independent members. One of the independent members chairs the Committee. Three sub-committees are in place for the purpose of assessment, hearing and review of complaints against members in respect of the Members' Model Code of Conduct.

The codes and policies listed above are available on the Council's website.

3.6 Whistle-blowing and receiving and investigating complaints from the public

A confidential reporting hotline is in place to enable internal and external whistle blowing. We request people to be open in their disclosure, but it is recognised that on occasions people will wish to remain anonymous.

The Council has an effective formal and informal complaints procedure. We have received no findings against Elmbridge Borough Council from the Local Government Ombudsman.

3.7 Reviewing and updating the Council's Constitution that includes the Scheme of Delegation which clearly define how decisions are taken.

The Head of Legal Services is responsible for ensuring that the Constitution is updated on an ongoing basis as required. The Constitution was comprehensively reviewed in 2007-08. A review is currently being undertaken which it is anticipated will see the Council approving new arrangements on 7 October 2009.

3.8 Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Elmbridge Borough Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Procedure Rules, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.

Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Information Security, Customer Care, Data Protection, Anti-Fraud and Corruption and Whistleblowing. All policies are subject to regular internal review to ensure these are adequately maintained. The Council informs all staff of changes in policy, or new documentation following new legislation by means of information provided on the Council's intranet and at regular management and staff forums, at induction training, and, where appropriate, holding training for all or key members of staff.

In 2003 as part of the original Local Code of Corporate Governance, Elmbridge Borough Council adopted a Risk Management Strategy. This document shows the role that both Members and Officers have in the strategic identification and minimisation of risk. Risks are recorded in a Strategic Risk Register and are then subject to an annual review. This strategy was reviewed and reported to Audit and Standards Committee in September 2008 and to Cabinet in February 2009. Risk Management training and awareness sessions were held for both members and Officers in 2008/09.

As part of the preparation of the Annual Governance Statement for 2008/09 an Annual Assurance Statement has been provided by all Heads of Service, detailing their assessment of their services. In this they give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance.

3.9 Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Elmbridge Borough Council, through its budgetary monitoring and control processes, ensures that financial resources were being used to their best advantage, via regular management reporting to the Corporate Management Board and Members.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Corporate Management Board, and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years, with clear links to the Council's Vision and top priorities. The Corporate

Management Board is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate objectives.

Through the quarterly Performance Report, corporate and key service objectives are carefully monitored in accordance with the Council's data quality arrangements to ensure that performance targets and indicators are being achieved.

The economic, effective and efficient use of resources is subject to review by the use of the Audit Commission's VFM tool, through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review. The Council's Value For Money review programme is recognized by the IdeA as best practice. The Council's Use of Resources judgment scores for 2008/09 are shown in the table below.

3.10 Use of Resources

Use of Resources is an annual assessment, undertaken as part of each council's external audit. It evaluates how well councils manage and use their financial resources to support their strategic priorities and deliver Value for Money. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance, asset management, effective financial reporting arrangements and Value for Money. The Use of Resources score is split into 5 themes, which are each scored out of 4.

These are:

Theme	Score 2008	Score 2007
Financial Reporting	3	4
Financial Management	3	3
Financial Standing	4	4
Internal Control	3	3
Value for Money	4	3
Overall Score	4	4

The Audit Commission has confirmed that the Council's performance remains very strong and the Council maintained its score of 4 out of a possible 4 overall for its use of resources in 2008. The Council improved its performance by achieving a score of 4 out of 4 in the Value for Money category for the first time, demonstrating continued improvement. This is a notable achievement given that the 'test' becomes harder each year and higher standards are demanded year on year.

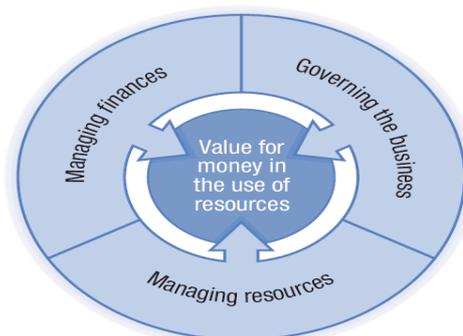
Comprehensive Area Assessment (CAA) which comes into effect in 2009 is a new approach that will provide the first independent assessment of the prospects for local areas and the quality of life for people living there. It will assess and report how well public money is spent and will ensure that local public bodies are accountable for their quality and impact.

CAA looks at how well local services are working together to improve the quality of life for local people. It will make straightforward independent information available to people about their local services, helping them make informed choices and influence decisions.

For the first time, local public services will be held collectively to account for their impact on better outcomes. This means that CAA will look across councils, health bodies, police forces, fire and rescue services and others responsible for local public services, which are increasingly expected to work in partnership to tackle the challenges facing their communities.

The new Use of Resources assessment considers how well organisations are managing and using their resources to deliver Value for Money and better and sustainable outcomes for local people. It is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The three themes are illustrated in **Figure 1**.

Figure 1
Use of resources framework 2008/09



3.11 Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide sufficient assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes are the responsibility of Heads of Service within the Council.

In particular, the process in 2008/09 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the profiled budget;
- A mid-year review of the annual budget;

- Setting of financial and performance targets, including the prudential code and associated indicators;
- Quarterly reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Strategy;
- Managing risk in key financial service areas, by specific monthly monitoring and reporting to Senior Management.

3.12 Effectiveness of Internal Audit

The Head of Internal Audit Partnership reports to the Strategic Director - Resources, and operates in accordance with a Charter, which defines its relationship with the Council's officers, and the Audit and Standards Committee. The main responsibility of the Internal Audit Division is to provide assurance and advice on the internal control system of the Council to the Corporate Management Board and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls established by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets; and
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. A review of the effectiveness of Internal Audit has been undertaken. The review concluded that an effective system of internal audit is provided by the Internal Audit Division and the opinion of the Head of Internal Audit Partnership in her annual report can be relied upon. The full details of the review will be reported to the Audit & Standards Committee, alongside this document as it is a key element of the review of the system of internal control and governance framework.

3.13 Audit & Standards Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

It is a responsibility of the Audit and Standards Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. It is considered that the Audit and Standards Committee was effective and added value to the internal control system. The Committee's terms of reference are included in the Council's Constitution.

The Audit and Standards Committee is responsible for:

- i) advising the Council on the revision of the Model Code of Conduct for Members;
- ii) monitoring the operation of the Model Code of Conduct; and

- iii) receiving reports following complaints about individual Members and determining if a breach of the Model Code of Conduct has arisen and, if so, deciding upon the appropriate sanction.

3.14 Performance and Risk Management

Elmbridge Borough Council produces a quarterly performance report which reports key information and analysis on objectives within the Corporate Plan, key performance indicators, major projects and risks assessment of progress on corporate working. Information is handled in accordance with the Council's agreed approach to data quality. The Corporate Management Board holds a quarterly "performance morning" to provide an opportunity to consider performance-related issues in an in-depth way. Performance reports are considered quarterly by Cabinet and Overview and Scrutiny Committees, alongside information on financial performance. Members also consider progress against targets in the Elmbridge Community Strategy. These performance reports are publicly available on the Council's website.

The Head of Finance has provided a positive opinion on the Council's compliance with its Risk Management Strategy. The revised Risk Management Strategy was taken to the Audit and Standards Committee in September 2008 and the Corporate Risk Register for 2008/09 was taken to Cabinet in March 2008, with reporting to CMB quarterly. The Audit & Standards Committee considers the effectiveness of the risk management arrangements and have not provided any adverse comments.

3.15 Value for Money

The Council is committed to providing value for money to the residents of Elmbridge and a top priority for 2008/09 was delivering high quality services whilst keeping the council tax as low as possible. In order to manage the Council's approach to Value For Money the Council developed a VFM review programme which commenced in August 2006, having been preceded by the five year Best Value improvement programme. The VFM programme was designed to address the new demands on the Council to evidence that it provides "value for money". The programme sought to review all services and ensure that our services are providing Value for Money for the residents of Elmbridge. The review programme involved officers, Members and a critical friend from another local authority. During 2008/09 18 reviews were undertaken and the full programme was completed in March 2009. The programme has identified where enhancements can be made to existing services; where existing services can be provided more efficiently, effectively and economically, or in partnership with others; and existing services that are no longer required. Most significantly the programme generated approximately an additional £1 million to be reinvested back into service delivery. The VFM programme has been recognised as good practice and the Council has shared its work in this area with other local authorities.

The Council is currently developing a process review scheme called Business Efficiency Achieves More (BEAM) based on best practice from the VFM review programmed and lessons learned from two pilot reviews that took place in 2008/09. The BEAM review programme is planned to start from mid 2009/10.

3.16 The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A fully resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Delivery Plans and statutory responsibilities.

In 2008/09 the Council developed a new Passport for Training that introduces four competency levels in order to assist managers and staff to achieve core competencies that are linked to performance management. The Passport includes mandatory courses in specific areas, eg. risk management and a suite of courses for both Senior and Middle Managers.

In May 2007 the Council was awarded Charter status for the national Charter for Elected Member Development in recognition of its comprehensive induction, development and support programme for all members of the Council. The Council attained finalist status in the Municipal Journal Awards 2008 for the Councillor Development Achievement of the Year Award.

In February 2008 the Council was re-accredited by Investors in People UK. The Council received an exemplary rating in its Investor in People reassessment against the advanced Investor in People "Profile" standard, achieving a score against all ten Profile indicators, with a maximum score of 4 on six of them. Elmbridge Borough Council was the only authority to achieve this accreditation in the Local Government world.

3.17 Partnership governance arrangements

The Council significantly strengthened its partnership governance arrangements in 2008/09 in order to comply with best practice. A Framework for Working in Partnership has been established to provide guidance on the criteria for determining what are key partnerships for the Council, based on risks relating to the Council's strategic objectives, finances or reputation from partnership arrangements. The Framework includes a checklist and guidance to help officers ensure that partnerships have robust governance and risk management arrangements in place. The requirements in terms of governance include decision-making processes, accountability structures, financial arrangements, management of performance, data quality and information sharing, equalities, conflict resolution and termination procedures.

3.18 The ethical conduct of members and officers of this Council

The Council's Constitution sets out the framework for members and officers with respect to ethical governance. The Council adopted a Model Code of Conduct for Members in July 2007 and it has an ongoing Members Development and Support Programme and an Induction Training programme for newly elected Members.

The Audit & Standards Committee has over-arching responsibilities and oversees the Council's ethical governance arrangements. In 2008/09 the Head of Legal Services reported appropriate matters relating to the Model Code of Conduct to that Committee.

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 is informed by:

- The work of the Internal Audit Division and the Head of Internal Audit Partnership's Annual Report.
- The work of Heads of Service within Elmbridge Borough Council who have responsibility for the development and maintenance of the governance environment.
- The external auditors in their Annual Audit and Inspection Letter and other reports, including the CPA Use of Resources and Direction of Travel Statements.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

4.1 Council

The Council's Annual Report and Performance Plan reports on our performance against our key priorities and outlines our priorities and targets for the forthcoming year.

The Constitution was comprehensively reviewed in 2007-08. A review is currently being undertaken which it is anticipated will see the Council approving new arrangements on 7 October 2009.

4.2 Cabinet and Overview and Scrutiny Committees

The Cabinet and Overview and Scrutiny Committees receive the quarterly Performance Report, which reports on performance against our key priorities and sets robust and challenging targets. There is also an annual report which reports on the performance of the Overview and Scrutiny Committees to Council and the Overview and Scrutiny Committees have a Forward Work Programme, which included a Waste Recycling Task Group for 2008/09.

4.3 Audit & Standards Committee

The Audit & Standards Committee receives quarterly updates from the Head of Internal Audit Partnership on the assurance, which can be placed against various systems and processes during the year, along with an annual assessment each year.

The Audit and Standards Committee established a sub-Committee framework for the handling of complaints that Members may have breached the Code of Conduct (Assessment, Review and Hearings). The Committee also approved assessment criteria, procedures and protocols in all respects.

In 2008-09 the Committee recruited two independent Members to serve four-year terms of office. The total complement of Independent representation is three, and

these Members are an important co-opted element to the work of the Committee and a valuable governance link to the wider community.

4.4 Internal Audit

Based on the work undertaken by the Internal Audit Division relating to 2008/09 the results of the Internal Audit reviews have been reported to the Audit and Standards Committee and no high risk audit recommendations were made to 31st March 2009. In 2008/09 regular quarterly reporting to CMB was introduced.

4.5 External Agencies

In 2008/09 Use of Resources and Direction of Travel Judgments were received from the Audit Commission.

In 2008 the Council was re-accredited by Investors in People (IIP) UK.

In May 2008 the Council achieved the ISPAL (Institute for Sport, Parks and leisure) "Active" award for the first time, led by the Leisure and Cultural Services Division. The Council is the first local Authority to receive this award for the whole Council.

The Council's attainment of the National Charter for Elected Member Development in May 2007 through the accreditation framework provided by the South East Employers continues to apply and there is a continuing review and reassessment process.

All local authorities in England and Wales signed up to the Government Connect Programme for secure email and data exchange and the use of Government Connect became mandatory for Council Tax and Housing Benefits from 31st March 2009. The Council's Code of Connection (CoCo) submission for this purpose was approved in March 2009 (Elmbridge was one of 202 out of 410 local authorities whose CoCo was approved by March 2009). The Government Connect GSCx line became operational on 30 March 2009.

In March 2009 the Council's website was ranked Transactional (T) by SOCITM's Better Connected 2009 report and ranked in the top 25 shire district sites, an improvement upon the Content Plus (C+) 2008 rating.

The Local Taxation Division renewed its Charter Mark in 2008/09 and Customer Service Excellence awards have been achieved by the Community Support Services, Planning, and Leisure and Cultural Services Divisions.

Lexcel accreditation for Legal Services was also obtained during the year at a higher standard than previously.

5. Improvements During The Year

In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements and matters identified in 2007/08 have been addressed as follows:-

- i) The Council's Improvement Plan/ Implementation Projects for 2008/09 sets out details of corporate working and projects across the Council that have been

delivered during the year. This is detailed at Appendix A attached.

- ii) Risk management has been further embedded across the organisation.
- iii) Partnership governance arrangements have been strengthened significantly across the Council.
- iv) In order to comply with the Government Connect Code of Connection requirements, a number of new information security measures have been implemented and mandatory information management and information security sessions were provided in February – March 2009.
- v) Internal control weaknesses identified in the areas of Housing Benefit overpayment debt and Car Parking income have been addressed by the implementation of Internal audit recommendations aimed at strengthening internal control in these areas.

6. Significant Governance Issues

On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31st March 2009 there are no significant governance issues to report.

However, areas for further improvement have been identified as follows :

- although significant progress has been made on risk management in the organization, further improvements should continue to be made to further embed risk management across the organisation.
- ensure the Council's business continuity arrangements are in line with best practice as defined by the Business Continuity Standard BS 25999.
- strengthen internal controls in the areas where control weaknesses have been identified.

These improvements are planned in order to meet and further develop the ongoing requirements for effective corporate governance.

We have been advised on the implications of the effectiveness of the Council's governance arrangements by the Audit & Standards Committee and full Council and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation as part of our regular reporting arrangements.

Signatures:



Date:

8 July 2009

.....
Leader of the Council

R. E. Moran.

Date:

7 July 2009

Chief Executive

IMPROVEMENT PLAN/IMPLEMENTATION PROJECTS 2008/09**Project Groups –**

No	Project	Significant Actions/outputs	Corporate Risks	Timescales
1	Culture Change (to include capacity building)	<ul style="list-style-type: none"> • Implemented cultural change improvement plan in accordance with the project plan. • Specific projects included: <ul style="list-style-type: none"> ○ Conducting 4th Staff Survey, analysing the results and producing an action plan to address issues highlighted. ○ Credit card size key facts of the Borough and shared values to all employees. ○ Setting up a display in main reception for our 10 shared values poster ○ Continuing to communicate benefits of working for Elmbridge to increase awareness of related policies. ○ Implementing our new Good Idea Scheme launched at the December 07 Staff Forum ○ Launching a yearly campaign on acceptable behaviour in the workplace to coincide with National Ban Bullying at Work Day ○ Health and Wellbeing Group carried out detailed stress at work questionnaire. ○ Promoting the roll out of the new kitchenettes and shower improvements ○ Disposing of plastic cups and replace with glasses brought in by employees ○ Communicating the steps taken to improve working conditions in terms of office temperature 	G	On-going throughout 2008/09
2	Carbon Footprint Reduction	<ul style="list-style-type: none"> • Reviewed Sustainable Elmbridge Strategy • Developed energy action plan as part of the Sustainable Elmbridge Review, and implemented Year 1 of the action plan • Reviewed remit, membership and terms of reference of Group • Successful bid for the Energy Saving Trust 1 to 1 support programme, which will provide Elmbridge with consultancy support for one year to help the carbon reduction group to develop a Climate Change Strategy. 	G, L	On-going throughout 2008/09
3	Customer Service Improvement Programme (CSIP)	<ul style="list-style-type: none"> • Implemented corporate evidence for Customer Service Excellence award • Introduced in partnership domestic abuse policy and guidance and revised website information • Implemented second phase of public notice boards across the authority following consultation with ward councillors on best site 	G	November 08 October 08 March 09

No	Project	Significant Actions/outputs	Corporate Risks	Timescales
		<ul style="list-style-type: none"> • Implemented changes to the main reception area and displays following review • Introduced corporate customer care posters and new customer feedback leaflets • Completed review of majority of customer care service standards • Introduce standard customer satisfaction measurement questions for all customer care surveys • Introduce information service at Walton library with museum case highlighting Elmbridge Museum's service • Implement action plan following second mystery shopping review • Standardise opening hours across services at the Civic Centre • Review requirements for improved call handling – specifically for Environmental Care's introduction • Review processes in place for peak enquiry times within Environmental Care – in particular garden waste renewal • Exchange best practice across services to better meet customer needs • Draw up requirements for improving housing and local taxation reception areas and making better use of main reception areas. ? Review violence awareness policy, working in conjunction with the Safety Committee to provide aggressive person register • Devised sample survey approach to gather avoidable contact data (NI14) 		<p>October 08</p> <p>March 09</p> <p>September 09</p> <p>January 09</p> <p>Summer 08</p> <p>Autumn 08</p> <p>July 08</p> <p>November 08</p> <p>April 08</p> <p>Ongoing</p> <p>July 08</p> <p>February 08</p> <p>February 08</p>
4	Investors in People	<ul style="list-style-type: none"> • Developed Passport 4 Training to ensure that all staff have had the core training that they need to enable them to do their job more effectively. • Worked with Surrey Training Officers Group and South East Employers to develop a Surrey wide mentoring scheme. • Reviewed Training Evaluation to ensure that the Council is measuring the cost effectiveness of learning and development and that clear objectives are set for putting learning and knowledge into practice. • Developed a more structured approach to coaching within the Council. 	D, K, G, P	<p>On-going through 2008/09, and launched start 09/10</p> <p>On-going through 2008/09</p> <p>On-going through 2008/09</p>
5	Communications Improvement	<ul style="list-style-type: none"> • Reviewed communications across the authority and implement action plan • Reviewed corporate branding and implemented action plan • Set up communications group with 	A, G, M, N	<p>On-going through 2008/09</p>

No	Project	Significant Actions/outputs	Corporate Risks	Timescales
		<p>representatives from across the authority to improve internal communications</p> <ul style="list-style-type: none"> Improved the content of the website to encourage more community engagement Reviewed and set up training programme to improve plain English across the authority and training for senior managers dealing with media Refocused the borough magazine to be more customer focused Reviewed range of internal communications methodologies including the newsletter Inside Story/ESP and Staff Forum Reviewed and revised the Reputation Toolkit 		

Corporate Groups -

No	Group	Significant Actions/outputs	Corporate Risks	Timescales
1	Corporate Improvement	<ul style="list-style-type: none"> Conducted a review of all corporate and project groups to ensure ongoing validity/reference Quarterly monitoring of all corporate and project groups, with particular support and input into the Culture Change and Investors in People project groups Provided feedback in response to CAA consultations Monitored progress on CAA preparations and LAA engagement 	A, G, I, K, L, M, N, O, P	<p>Quarter 1</p> <p>On-going throughout 2008/09</p> <p>Quarter 3</p> <p>On-going throughout 2008/09</p>
2	Corporate Governance	<ul style="list-style-type: none"> Co-ordinated Council's engagement with the Audit Commission, including preparation and response to requirements and findings of Use of Resources assessment 	B, C, I, L, M, O, Q	On-going throughout 2008/09
3	Equality and Diversity	<ul style="list-style-type: none"> Revised and updated the Corporate Equality Plan Officers continued to support and work with the Equality and Diversity Forum A workshop run with the Forum in March focusing on Hate Crime, Gypsy and Traveller issues, Faith and Culture and equality impact assessments 	G	<p>Quarter 3</p> <p>On-going throughout 2008/09</p> <p>Quarter 4</p>
4	Risk Management (including business continuity and civil emergency and Health and Safety)	<ul style="list-style-type: none"> Implemented Risk Management Strategy Integrated risk management into the culture of the Council. Raised awareness of the need for risk management by all those connected with the provision of services (including partners, delivery agents, etc). Enabled the Council to anticipate and respond 	<p>March 2008: major strategic risks (A-F) and other strategic risks identified</p> <p>Strategic and Operational</p>	<p>March 2009 update of Strategic Risk Register</p> <p>August 2009 updates of Operational</p>

No	Group	Significant Actions/outputs	Corporate Risks	Timescales
	and Safety)	<p>to changing social, environmental and legislative conditions.</p> <ul style="list-style-type: none"> • Minimisation of injury, damage, loss and inconvenience to residents, staff, service users, assets etc arising from or connected with the delivery of Council services. • Introduction of a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice. • Minimisation of the cost of risk • Maintained and reassessed business continuity plans and incorporated into risk management and information security policies • Risk Management Group to embrace business continuity <p>Business Continuity</p> <p>Actions:</p> <ul style="list-style-type: none"> • Reassess business continuity plans, incorporate into risk management activities and ensure that the requirements of BS7799 (covered by the Information Security Forum) are met. • Identify training needs with respect to the Civic Centre Business Continuity Plan and the local service business continuity plans. <p>Health and Safety actions:</p> <ul style="list-style-type: none"> • Monitor matters considered by the Safety Committee 	Operational Risk Registers	Operational Risk Registers.
5	Information Security	<ul style="list-style-type: none"> • Implemented necessary policies and procedures to ensure compliance with: <ul style="list-style-type: none"> ○ ISO 27001(Code of Practice for Information Security Management) ○ ISO 15489 International Standard on Records Management and BSI BIP 0008 (Code of Practice on Legal Admissibility and Evidential Weight of Information Stored Electronically) ○ Freedom of Information Act 2000, Data Protection Act 1998, Environmental Information Regulations 2005 ○ Government Connect - Code of Connection (CoCo) • Information Security Management Framework /Strategy - Monitored, reviewed and tested in accordance with ISO 27001 	E, F, H	On-going throughout 2008/09

No	Group	Significant Actions/outputs	Corporate Risks	Timescales
		<p>accordance with ISO 27001.</p> <ul style="list-style-type: none"> • Ensured and reinforced awareness of all records management policies and procedures as required. <p>Specific projects in 2008/09 included:</p> <ul style="list-style-type: none"> • Data Security Mapping project - Guidelines for Data Security revised December 2008 • Implementing Government Connect secure messaging/data exchange (GCSx) by 31 March 2009. • Implementing "Baseline Personal Security Standard" for all network users (CoCo requirement). • Implementing Network Audit Logs (CoCo requirement). • Information Management and Information Security Education Programme - ongoing communication of policies via guides and awareness/training sessions. 		<p>Guidelines revised December 2008</p> <p>CoCo approved and GCSx implemented March 2009</p> <p>Mandatory Awareness Sessions – February-March 2009</p>
6	Corporate Property	<ul style="list-style-type: none"> • Implement Property and Asset Management Best Value Review recommendations • Implement findings of Condition Survey • Considered changes to the Group to increase strategic focus • Work towards development of a Corporate Property Strategy 	A, D, E, F, K, L, P	On-going throughout 2008/09

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 2008 to 31 March 2009.

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.

Asset Management Revenue Account

An account kept separately from the main service accounts, which bears the cost of depreciation of assets and external interest payments and receives a credit netting off the capital charges borne by service accounts.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Best Value

The legislative framework for ensuring that local authorities have set up arrangements to secure continuous improvement in services.

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 Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund

A fund administered by the Council as a "charging authority". The Council Tax and National Non-Domestic Rates are paid into this fund. National Non-Domestic Rates are paid over in full to the National Pool, administered by central government. The Council Tax demand of the Council and the precepts (the council tax demands of Surrey County Council, Surrey Police and Claygate) are paid out of the fund. Any surplus or deficit is shared in accordance with statute between the major precepting authorities (Elmbridge Borough Council, Surrey County Council and Surrey Police).

Corporate and Democratic Core

These are the activities that a local authority engages in specifically because it is a democratically elected decision making body. These are over and above what a private company would have if it were providing similar services. These costs are not apportioned to services but are shown here. Examples of costs are Councillors' allowances, Committee support and time spent by professional officers in giving policy advice.

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.

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.

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. It consists of two main elements, redistributed business rates and revenue support grant.

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 depreciated over their expected life but there is no physical asset.

Interest Cost

The expected increase over the period in the present value of the 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.

National Non Domestic Rates (NNDR)

[Also known as Business Rates or Uniform Business Rate (UBR)]

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.

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

CAB	Citizens Advice Bureaux
CCTV	Closed Circuit Television
CIPFA	Chartered Institute of Public Finance and Accountancy
DWP	Department for Works and Pensions
ECIF	Elmbridge Civic Improvement Fund
FRS	Financial Reporting Standard
IT	Information Technology
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LPSA	Local Public Service Agreement
MRICS	Member of the Royal Institute of Chartered Surveyors
MRP	Minimum Revenue Provision
PDG	Planning Delivery Grant
PWLB	Public Works Loan Board
SOLACE	Society of Local Authority Chief Executive
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Recognised Gains and Losses