



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

# Statement of Accounts Year Ended 31 March 2010

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## **Explanatory Foreword by the Strategic Director - Resources**

### **1. Accounts for 2009/10**

The Council's Statement of Accounts for the year 2009/10 is set out on pages 18 to 70, which includes:

- \* a Statement of Responsibilities for the Statement of Accounts, outlining the responsibilities of the Council and the Strategic Director – Resources (Page 7);
- \* the Core Financial Statements
  - the Income and Expenditure Account (page 18)
  - the Statement of Movement in General Fund Balance (page 19).
  - the Statement of Total Recognised Gains and Losses (page 19).
  - the Balance Sheet (page 20)
  - the Cash Flow Statement - which summarises the total movement of the Council's cash (page 21);
- \* 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 Collection 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 50);

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

### **2. Prior Period Adjustments**

Elmbridge Borough Council, as the billing authority, is acting as agent for the major preceptors (Surrey Police and Surrey County Council) for the collection of Council Tax and the Government for the collection of National Non-Domestic Rates (NNDR). From 2009/10 it is a requirement of the Statement of Recommended Practice that the billing authority only include its own proportion of the council tax debtors and receipts in advance and do not include any NNDR debtors within their Balance sheet. Instead a creditor is included for the cash collected at the balance sheet date that has still to be paid over to the major preceptors and a debtor for the cash overpaid to the Government at the balance sheet date.

Comparative figures in the Balance Sheet have been restated to reflect the removal of Council Tax and NNDR debtors and the inclusion of Creditors/Debtors which reflect the balances of cash collected which is due to/from the major preceptors and Government. This has the effect of reducing the Total Net Worth of the Authority by £709,000 which represents the major preceptors proportionate shares of the Collection Fund Surplus at 31 March 2009 (Surrey Police £106,907 and County £601,847). Elmbridge's share of the surplus is held in the Collection Fund adjustment Account instead of the Collection Fund balance.

### In summary the changes to the Council's core financial statements as follows:

31 March 2009 before Adjustment	Restated 31 March 2009		31 March 2010
£'000	£'000		£'000
Extract from Balance Sheet			
9,468	6,968	Debtors	8,159
(1,891)	(1,149)	Provision for Bad Debts	(1,245)
(10,060)	(9,011)	Creditors	(9,961)
0	(108)	Collection Fund Adjustment Account	(154)
(817)	0	Collection Fund Balance	0
60,366	59,657	Total Net Worth	48,531
Extract from Cash Flow Statement			
52,700	0	NNDR Payments to Pool	0
78,003	48	Precepts Paid	48
85,593	7,638	Council Tax Receipts	8,080
52,825	0	Non Domestic Rate Income	0
4,479	4,866	Other Operating Cash Receipts	5,875
4,440	4,178	Net Revenue Activities Cashflow	934
2,006	1,744	Net Cash (Inflow)/Outflow before Financing	(89)
(2,283)	(2,021)	Net Increase/Decrease in other liquid resources	(3,545)
Extract from Income & Expenditure Account			

### 3. 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.

### 4. Money Comes From:

	£'000	£'000	%
Formula Grant	6,480		
Precept On Collection Fund	12,418		
Less Claygate Parish Council Precept	(48)	18,850	25
Defined Government Grants		41,650	56
Other Income		11,904	16
		72,404	
Interest and Investment Income		1,782	3
		74,186	100

The most significant source of finance was from defined Government grants which provided 56% of total income, with the precept on the Collection Fund and Formula Grant combined contribution of 25%.

**5. Money is Spent on:**

	£'000	%
Employees	12,238	17
Running Expenses	61,373	83
Gross Expenditure	73,611	100
Transfer to Reserves	575	
	74,186	

**6. Services Provided:**

	£'000	%
Cultural, Environmental and Planning Services	20,268	27
Housing Services	43,772	58
Highways and Transport Services	2,159	3
Social Services	3,891	5
Other	5,328	7
	75,418	100
Items charged to Income and Expenditure Account but having no effect on Council Tax	(1,713)	
Interest Payable	239	
Pension Fund FRS17 Adjustment	(333)	
Contribution to Reserves	575	
	74,186	

**7. Budget**

The main components of the budget for 2009/10, 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
<b>Expenditure</b>			
Gross Expenditure on Services	68,212	73,611	5,399
Contribution (from)/to Reserves	(722)	575	1,297
<b>Total Expenditure</b>	67,490	74,186	6,696
<b>Income</b>			
Government Grants	(35,373)	(41,650)	(6,277)
Other Income	(11,502)	(11,904)	(402)
Interest on Investment Income	(1,765)	(1,782)	(17)
<b>Total Income</b>	(48,640)	(55,336)	(6,696)
<b>Net Expenditure</b>	18,850	18,850	-
Financed By:			
Formula Grant and Non Domestic Rates	6,480	6,480	-
Precept On Collection Fund	12,370	12,370	-
	18,850	18,850	-

## 8. Capital

The Council spent £ 3.2 million on capital projects, compared with the approved revised capital programme provision for the year of £ 3.7 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 2009/10:

	£m		%
Capital Receipts	1.8		56
External Contributions	1.2		38
Revenue Contributions	0.2		6
	3.2		100

At 31 March 2010 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 new borrowing has been required. On 25 March the Council redeemed £4 million of it's borrowing and at 31 March 2010 has £1.5 million of borrowing outstanding.

## 9. 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 28 to the Core Financial Statements.

## 10. 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. Until 1 April 2007 the differences between depreciated historical cost and current valuation 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 the Revaluation Reserve.

In order to secure a consistent approach across all authorities the Revaluation Reserve was created with a zero balance on 1 April 2007 and the balances previously held in the Fixed Asset Restatement Account and the Capital Financing Account were incorporated into the Capital Adjustment 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.

## 11. Impairment of Fixed Assets

As a result of the changes in the United Kingdom economy a review of the value of the councils fixed assets was undertaken in 2008/09. As a result of the decrease in the value of these assets an impairment charge of £13.5 million was made in 2008/09 as an exceptional item to the councils 2008/09 Income and Expenditure Account, and decreased the Net Worth of the authority. The impairment charge has no effect on the Council Tax since the effect is reversed out in the Statement of Movements on the General Fund Balances.

## 12. 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 2010 the authority had neither identified nor incurred any liabilities in relation to any possible future introduction of the Euro.

### **13. Pensions**

These Statements have been prepared in accordance with Financial Reporting Standard (FRS) 17 – Retirement Benefits. The Balance Sheet shows a Pensions liability of £39.4 million, which reduces the net worth of the Council by some 44%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

### **14. Value Added Tax (VAT) Claims**

The Council made a claim to HMRC for a refund of VAT in relation to a number of activities relating back to 1992. As a result of the claim the council received approximately £142,000 in the year and approximately £143,000 in interest. The Council has an outstanding claim against HMRC in relation to car parking charges and is awaiting the result of court action taken by a UK Local Authority.

### **15. Further Information**

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

### **16. 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. 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 2009/10 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 2009.

**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 2009/10 present fairly the financial position of the authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.



**Sarah Selvanathan**  
**Strategic Director - Resources**

**Date 29 September 2010**

**Approval of Accounts**

I confirm that these accounts were approved by the Audit and Standards Committee on 30 June 2010

Signed on behalf of Elmbridge Borough Council.



**Councillor O'Reilly**  
**Leader of the Council**

**Date 30 June 2010**

## **Independent auditor's report to Members of Elmbridge Borough Council**

### **Opinion on the accounting statements**

I have audited the Authority accounting statements and related notes of Elmbridge Borough Council for the year ended 31 March 2010 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, Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 published by the Audit Commission in April 2008.

### **Respective responsibilities of the Strategic Director - Resources and auditor**

The Strategic Director - Resources responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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 accounting 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.

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**

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.

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**

In my opinion the Authority's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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**

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**

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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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**

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 October 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 ended 31 March 2010.

## **Certificate**

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, City Executive Centres,  
Crossweys,  
28-30 High Street,  
Guildford,  
Surrey.  
GU1 3HY

30 September 2010

## 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 2009 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)
<b>Equipment:</b>	
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, Street Names Plates, Noise Monitoring Equipment and Parking Pay Machines	10
Tennis Courts	6
All Other Equipment	5
<b>Buildings:</b>	
Elm Grove Public Hall	10
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*	50
Brick Built Pavilions	50
Xcel Centre	50
Civic Centre	40
Stompond Lane	10-25
Synthetic Turf Pitch Surface/Base	10/25

\* In 2009/10 following revaluation the economic life of St Peter's Chapel, Hersham Chapel and the Cemetery houses at Long Ditton and Burval Cemetery were increased from 40 to 50

years. This had the financial effect of reducing the total annual depreciation charge for these properties from £18,625 to £14,900.

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 26 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 any material gains/losses 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.

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, 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 2010.

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 2009/10 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.

#### **18. Private Finance Initiatives (PFI) and Similar Contract**

From the 2009/10 accounts the accounting requirements for PFI and similar contracts is no longer based on the UK accounting standard FRS 5 but on the International Financial Reporting Standard IFRIC 12 Service Concession Arrangements. Elmbridge has reviewed the circumstances under which IFRIC 12 would apply and does not have any such arrangements.

#### **19. Collection Fund Adjustment Account**

The Collection Fund Adjustment Account reflects the difference between the Collection Fund surplus included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.

## Income and Expenditure Account

<u>2008/09</u>			<u>2009/10</u>		
Net Expenditure / (Income)		N o t e	Gross Expenditure	Gross Income	Net Expenditure / (Income)
£'000			£'000	£'000	£'000
	<b>Service Expenditure</b>				
1,370	Central Services to the Public	(1)	3,435	1,956	1,479
12,510	Cultural, Environmental and Planning Services		20,268	7,071	13,197
(613)	Highways, Roads and Transport Services		2,159	2,842	(683)
2,178	Housing		43,772	41,871	1,901
1,857	Social Services		3,891	1,753	2,138
2,319	Corporate and Democratic Core		1,893	13	1,880
508	Non Distributed Costs		-	-	-
13,468	Exceptional Item - Impairment	(6)	-	-	-
<b>33,597</b>	<b>Net Cost of Services</b>		<b>75,418</b>	<b>55,506</b>	<b>19,912</b>
(15)	Gain on the Disposal of Fixed Assets				(65)
48	Parish Council Precept				48
239	Interest Payable				219
(239)	Gains on Sale of Former Council Houses	(2)			(256)
14	Contribution of Housing Receipts to Government Pool				1
(2,790)	Interest and Investment Income				(1,782)
-	Discount on the early redemption of debt				(94)
873	Pension Interest Cost and Expected Return on Pension Assets	(3)			2,123
<b>31,727</b>	<b>Net Operating Expenditure</b>				<b>20,106</b>
(11,834)	Precept demanded from the Collection Fund				(12,418)
(89)	Collection Fund surplus				(149)
(5,570)	Contribution from Non-Domestic Rate Pool				(5,182)
	<b>General Government Grants</b>				
(775)	Government Formula Grant				(1,196)
(23)	Area Based Grant - Climate Change				(23)
(256)	Local Authority Business Growth Incentive Scheme	(4)			(72)
<b>13,180</b>	<b>(Surplus) / Deficit for the Year</b>				<b>1,066</b>

### Statement of Movement on the General Fund Balance

2008/09			2009/10
£'000		Notes	£'000
(13,180)	Surplus / (Deficit) for the year on the Income and Expenditure Account		(1,066)
13,156	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)	1,273
(24)	<b>Increase / (Decrease) in General Fund balance for the Year</b>		<b>207</b>
5,375	General Fund Balance brought forward		5,351
5,351	<b>General Fund Balance carried forward</b>		<b>5,558</b>

### Statement of Total Recognised Gains and Losses

2008/09			2009/10	
£'000		Notes	£'000	£'000
(13,180)	<b>Surplus / ( Deficit ) for the Year on the Income &amp; Expenditure Account</b>			(1,066)
3,549	Surplus / ( Deficit ) arising on revaluation on fixed assets	(20)	201	
(13,894)	Actuarial gains and (losses) on pension fund assets and liabilities	(21)	(10,261)	(10,060)
	<b>Other gains and (losses) required to be included in the STRGL</b>			
75	Financial Instruments Adjustment Account		-	-
(23,450)	<b>Total recognised gains and (losses) for the year</b>			<b>(11,126)</b>

The decrease in the Councils net worth of £11.1 million is mainly due to the increase in the pension fund deficit.

## Balance Sheet

31 March 2009			31 March 2010
£'000		Notes	£'000
	<b>Fixed Assets</b>		
	Operational Assets :	(6)	
51,169	Land and Buildings		51,739
4,263	Vehicles, Plant and Equipment		4,928
437	Infrastructure Assets		437
470	Community Assets		471
	Non - Operational Assets :	(6)	
5,384	Investment Properties		5,384
1,072	Assets Under Construction		102
1,310	Surplus, Held for Disposal		1,345
1,079	<b>Intangible Assets</b>	(7)	1,070
65,184	<b>Total Fixed Assets</b>		65,476
45	Long Term Debtors	(8)	38
17,000	Long Term Investments	(9)	14,000
82,229	<b>Total Long Term Assets</b>		79,514
	<b>Current Assets</b>		
100	Stocks and Work in Progress	(10)	94
6,968	Debtors	(8)	8,159
(1,149)	Less: Provision for Doubtful Debts	(8)	(1,245)
18,400	Investments	(9)	18,380
1,334	Cash and Bank		968
25,653	<b>Total Current Assets</b>		26,356
	<b>Current Liabilities</b>		
(9,011)	Creditors	(11)	(9,961)
(9,011)			(9,961)
16,642	<b>Net Current Assets</b>		16,395
98,871	<b>Total Assets less Current Liabilities</b>		95,909
	<b>Long Term Liabilities</b>		
(31)	Deferred Capital Receipts	(12)	(21)
(130)	Provisions	(13)	(590)
(2,583)	Capital Grants Deferred	(14)	(2,918)
(2,142)	Capital Grants Unapplied	(17)	(2,927)
(5,500)	Long Term Borrowing	(15)	(1,500)
(28,828)	Liability Relating to Defined Benefit Pension Scheme	(16)	(39,422)
59,657	<b>Total Assets less Liabilities</b>		48,531
	<b>Financed By:</b>		
15,233	Useable Capital Receipts Reserve	(18)	9,471
50,964	Capital Adjustment Account	(19)	55,553
6,991	Revaluation Reserve	(20)	7,010
108	Collection Fund Adjustment Account	(21)	154
9,838	Earmarked Revenue Reserves	(21)	10,207
(28,828)	Pensions Reserve	(21)	(39,422)
	<b>Balances</b>		
5,351	General Fund	(21)	5,558
59,657	<b>Total Net Worth</b>		48,531

## Cash Flow Statement

2008/09		2009/10	
£'000	Revenue Activities	£'000	£'000
	Cash Outflow		
11,591	Cash paid to and on behalf of employees	12,238	
48	Parish precept paid	48	
27,093	Other operating cash payments	27,960	
28,117	Housing benefits paid out	33,875	
66,849			74,121
	Cash Inflow		
7,638	Council Tax receipts	8,080	
5,570	Non-domestic rate receipts from National Pool	5,182	
775	Formula Grant	1,196	
31,586	DWP grants for benefits	41,126	
1,451	Other government grants	707	
10,785	Cash received for goods and services	11,021	
4,866	Other operating cash receipts	5,875	
(62,671)			(73,187)
4,178	<b>Net revenue activity cash (inflow)/ outflow</b>		934
	<b>Returns on Investments and Servicing of Finance</b>		
	Cash Outflow		
239	Interest paid		219
	Cash Inflow		
(3,002)	Interest received		(1,953)
	<b>Capital Activities</b>		
	Cash Outflow		
2,706	Purchase of fixed assets	2,441	
617	Other capital cash payments	569	
3,323			3,010
	Cash Inflow		
(1,344)	Sale of fixed assets	(476)	
(1,650)	Capital grants received	(1,823)	
(2,994)			(2,299)
1,744	<b>Net Cash Flow Before Financing</b>		(89)
	<b>Management of Liquid Resources</b>		
-	Net increase / (decrease) in short term deposits		
(2,021)	Net increase / (decrease) in other liquid resources	(3,545)	(3,545)
	<b>Financing</b>		
-	Movements of Long Term Borrowing	-	4,000
(277)	<b>Net (Increase) / Decrease in Cash</b>		366

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:

2008/09		2009/10		
Net Expenditure / (Income)		Gross Expenditure	Income	Net Expenditure / (Income)
£'000		£'000	£'000	£'000
189	Electoral Registration and Elections	555	186	369
91	Local Land Charges	294	376	(82)
441	Grants and Aid	436	5	431
35	Emergency Planning	77	21	56
(242)	Other Operations	816	768	48
163	Business Management	194	84	110
693	Local Taxation	1,063	516	547
1,370	Total	3,435	1,956	1,479

### 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 2009/10, £256,446 (2008/09 - £238,509) 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:

2008/09		2009/10	
£'000		£'000	£'000
	<b>Net Cost of Services</b>		
(1,170)	Current service cost	(1,070)	
(508)	Past service costs		
-	Curtailement and settlements	(14)	(1,084)
	<b>Net Operating Expenditure</b>		
(5,484)	Interest cost	(5,286)	
4,611	Expected return on assets in the scheme	3,163	(2,123)
	<b>Amounts to be met from Government Grants and Local Taxation</b>		
(55)	Movement on pension reserve [Note 5]		333
	<b>Actual amount charged against council tax for pensions in the year:</b>		
(2,606)	Employer's contribution payable to the scheme		(2,874)

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 2009/10 the Government awarded an additional grant to those local authorities which met certain criteria in respect of business growth in their area. The authority agreed to set up a strategic reserve to hold sums received from this source. The sum of £72,072 was received in 2009/10 (£256,261 2008/09). 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:

2008/09			2009/10
£'000		Notes	£'000
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(317)	Amortisation of intangible fixed assets	(7)	(306)
(14,875)	Depreciation and impairment of fixed assets	(6)	(2,192)
533	Amounts treated as revenue income in accordance with the SORP but treated as capital receipt by statute	(18)	294
565	Capital Grants Deferred amortisation matching depreciation and impairments	(14)	881
(602)	Amounts treated as revenue expenditure in accordance with the SORP but which are treated as capital expenditure by statute (ie Deferred Charges)	(6)	(563)
15	Net gain or loss on sale of fixed assets	(18)	65
55	Amount by which pension costs calculated in accordance with the SORP are different from the contributions due under pension scheme regulations	(3)	(333)
(12)	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation		46
<b>(14,638)</b>	<b>Increase/(Decrease) in General Fund Balance for the Year</b>		<b>(2,108)</b>
	<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
103	Statutory provision for repayment of debt	(6)	99
74	Capital Expenditure charged to the General Fund Balance	(6)	183
(14)	Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	(18)	(1)
<b>163</b>	<b>Increase/(Decrease) in General Fund Balance for the Year</b>		<b>281</b>
	<b>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</b>		
169	Voluntary provision for repayment of debt	(6)	185
1,150	Net transfer to or (from) earmarked reserves	(21)	369
<b>1,319</b>			<b>554</b>
<b>(13,156)</b>	<b>Total net additional amount</b>		<b>(1,273)</b>

## 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 2009	65,672	7,128	437	481	73,718
Accumulated Depreciation and Impairment	(14,503)	(2,865)	-	(11)	(17,379)
<b>Net book value as at 31 March 2009</b>	<b>51,169</b>	<b>4,263</b>	<b>437</b>	<b>470</b>	<b>56,339</b>
Certified Valuation at 31 March 2010	67,059	8,258	437	489	76,243
Accumulated Depreciation and Impairment	(15,320)	(3,330)	-	(18)	(18,668)
<b>Net book value as at 31 March 2010</b>	<b>51,739</b>	<b>4,928</b>	<b>437</b>	<b>471</b>	<b>57,575</b>
<b>Reconciliation of Movement in 2009/10</b>					
Reclassifications	861	84	-	-	945
Additions	995	1,196	-	8	2,199
Disposals	-	(150)	-	-	(150)
Revaluations	219	-	-	-	219
Depreciation Adjustments	55	229	-	-	284
Depreciation Charge for year	(685)	(691)	-	(7)	(1,383)
Impairments	(875)	(3)	-	-	(878)
<b>Total Movement in 2009/10</b>	<b>570</b>	<b>665</b>	<b>-</b>	<b>1</b>	<b>1,236</b>

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	-	8,258	437	489	9,184
Valued at Current Value in:					
2009-2010	2,267	-	-	-	2,267
2008-2009	12,672	-	-	-	12,672
2007-2008	22,095	-	-	-	22,095
2006-2007	28,413	-	-	-	28,413
2005-2006	1,612	-	-	-	1,612
<b>Total</b>	<b>67,059</b>	<b>8,258</b>	<b>437</b>	<b>489</b>	<b>76,243</b>

<b>Non Operational Assets</b>	<b>Investment Properties</b>	<b>Assets under Construction</b>	<b>Surplus Assets awaiting Disposal</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Certified Valuation at 31 March 2009	6,170	1,072	2,100	<b>9,342</b>
Accumulated Depreciation and Impairment	(786)	-	(790)	<b>(1,576)</b>
<b>Net book value as at 31 March 2009</b>	<b>5,384</b>	<b>1,072</b>	<b>1,310</b>	<b>7,766</b>
Certified Valuation at 31 March 2010	6,170	102	2,127	<b>8,399</b>
Accumulated Depreciation and Impairment	(786)	-	(782)	<b>(1,568)</b>
<b>Net book value as at 31 March 2010</b>	<b>5,384</b>	<b>102</b>	<b>1,345</b>	<b>6,831</b>
<b>Reconciliation of Movement in 2009/10</b>				
Reclassifications	-	(1,072)	127	<b>(945)</b>
Additions	-	102	-	<b>102</b>
Disposals	-	-	(100)	<b>(100)</b>
Revaluations	-	-	-	-
Depreciation Adjustment	-	-	10	<b>10</b>
Impairments	-	-	(2)	<b>(2)</b>
<b>Total Movement in 2009/10</b>	<b>-</b>	<b>(970)</b>	<b>35</b>	<b>(935)</b>

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

<b>Non Operational Assets</b>	<b>Investment Properties</b>	<b>Assets under Construction</b>	<b>Surplus Assets awaiting Disposal</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at historical cost	-	102	81	<b>183</b>
Valued at Current Value in:				
2009-2010	-	-	-	-
2008-2009	4,324	-	46	<b>4,370</b>
2007-2008	1,846	-	-	<b>1,846</b>
2006-2007	-	-	2,000	<b>2,000</b>
2005-2006	-	-	-	-
<b>Total</b>	<b>6,170</b>	<b>102</b>	<b>2,127</b>	<b>8,399</b>

In the 2008/09 Income and Expenditure Account a charge of £13.5 million was made as an exceptional item for the decrease in the value of assets as a result of the current economic climate. This has been treated as an exceptional item because of the value of the adjustment and it is considered to be a one off event. In 2009/10 a few normal impairments were made which were charged to the relevant services as part of their normal annual Capital Charges.

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 in 2008/9.

Asset Type	Investment Properties £'000	Surplus Assets awaiting Disposal £'000	Land & Buildings £'000	Total £'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
<b>Total Impairment to Assets at 31.3.09</b>	<b>786</b>	<b>790</b>	<b>12,810</b>	<b>14,386</b>
<b>Less Charged to Revaluation Reserve:</b>				
North Weylands	(786)	-	-	(786)
Sports Ground	-	-	(110)	(110)
Civic Centre	-	-	(2,408)	(2,408)
<b>Add Downward revaluation at 1.4.08</b>				
Day Centres	-	-	2,177	2,177
Public Conveniences	-	-	35	35
Miscellaneous Investment Properties	174	-	-	174
<b>Total Impairment Charge to Expenditure &amp; Income Account</b>	<b>174</b>	<b>790</b>	<b>12,504</b>	<b>13,468</b>

The main items of Capital Expenditure in the year were:

2008/09 £'000		2009/10 £'000
1,058	Synthetic Turf Pitch	753
202	Public Building Acquisition and Enhancements	508
260	IT Development	462
458	Other	440
-	Recycling Containers	382
297	Private Sector Housing Grants	319
-	Community Transport	158
213	Playground Refurbishments / Tennis Courts	130
229	CCTV	9
216	Xcel Leisure Centre	-
114	Long Ditton Cemetery Extension	-
<b>3,047</b>	<b>Total</b>	<b>3,161</b>

Capital Expenditure was financed as follows:

2008/09		2009/10
£'000		£'000
4,923	Opening Capital Financing Requirement	4,652
	<b>Capital Investment</b>	
1,280	Operational Assets	2,199
1,072	Non-Operational Assets	102
92	Intangible Assets	297
603	Deferred Charges / De minimis Assets / Non Value Enhancements	563
	<b>Sources of Finance</b>	
(1,879)	Capital Receipts - to fund Capital Expenditure	(1,762)
-	Capital Receipts - to reduce indebtedness	(4,368)
(1,094)	Government Grants and Other contributions	(1,216)
(345)	financing, MRP and any voluntary set aside)	(467)
4,652	<b>Closing Capital Financing Requirement</b>	-
	<b>Explanation of Movement in Year</b>	
-	Increase / (Decrease) in underlying need to borrow (supported by Government financial assistance)	
(271)	Increase / (Decrease) in underlying need to borrow (supported by Government financial assistance)	(4,368)
(271)	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(4,368)</b>

The major fixed assets of the authority as at 31 March 2010 consisted of:

31/03/2009		31/03/2010
1	Civic Centre	1
9	Public Halls, Youth and Community Centres	9
3	Commercial Properties	3
1	Leisure Centre [including Synthetic Turf Pitch]	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	8
2	Surplus Assets awaiting Disposal	2
1	Assets under Construction	2

The council has 127 community assets which are mainly recreation grounds and monuments.

### 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. The movements in the year were as follows:

	Balance at 31/03/2009 £'000	Expenditure £'000	Transfers / Written Off £'000	Balance at 31/03/2010 £'000
Improvement Grants	-	319	(319)	-
Other	-	79	(79)	-
	-	398	(398)	-

## 7. Intangible Assets

Intangible Assets	Doc / Record Mgmt	Financial Mgmt Systems	Housing Needs	Land Charges & Spatial Data	IT Infrastructure	Revenues and Benefits	Other Systems	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Cost	268	169	71	458	780	416	167	2,329
Amortised to 1 April 2009	(34)	(127)	(61)	(309)	(438)	(222)	(59)	(1,250)
Balance at 1 April 2009	234	42	10	149	342	194	108	1,079
Expenditure in year	159	109	-	-	29	-	-	297
Written off to revenue in year	(38)	(20)	(10)	(52)	(106)	(60)	(20)	(306)
<b>Balance at 31 March 2010</b>	<b>355</b>	<b>131</b>	<b>-</b>	<b>97</b>	<b>265</b>	<b>134</b>	<b>88</b>	<b>1,070</b>

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

31/03/2009		31/03/2010
£'000		£'000
	<b>Long Term Deferred Debtors</b>	
38	Sale of (former) Council Houses	32
7	House Purchases	6
45		38

31/03/2009		31/03/2010
£'000		£'000
	<b>Other Debtors</b>	
36	Payments in Advance	43
2,612	Government Departments	3,514
157	Surrey County Council (Agency Services)	148
3,990	Sundry Debtors	4,263
173	Council Tax Elmbridge	191
6,968		8,159
1,149	Less Provision for Doubtful Debts	1,245
5,819		6,914

The increase in government department debtors mainly relates to the increase in the money due from the Business Rates Pool (£1,380,406).

## 9. Financial Instruments

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

2008/09			2009/10	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
5,500	3,409	Financial liabilities at amortised cost	1,500	3,762
-	-	Financial liabilities at fair value through profit and loss	-	-
<b>5,500</b>	<b>3,409</b>	<b>Total Borrowings</b>	<b>1,500</b>	<b>3,762</b>
17,045	23,312	Loans and receivables	14,038	22,980
-	-	Available-for-sale financial assets	-	-
-	-	Unquoted equity investments at cost	-	-
<b>17,045</b>	<b>23,312</b>	<b>Total Investments</b>	<b>14,038</b>	<b>22,980</b>

### Financial Instruments Gains / Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total £'000
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	
Interest expenses	219	-	-	219
Loss on de-recognition	-	-	-	-
Impairment losses	-	-	-	-
Interest payable and similar charges	219	-	-	219
Interest income	-	1,782	-	1,782
Gains on de-recognition	94	-	-	94
Interest and investment income	94	1,782	-	1,876
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	-	-
Amounts recycled to the I&E Account after impairment	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-
Net gain/(loss) for the year	(125)	1,782	-	1,657

## Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

Elmbridge Borough Council's risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors, applying the lowest available rating for any institution. The Annual Investment Strategy also imposes maximum sum to be invested with a single financial institutions located within each category as detailed below.

The credit criteria in respect of financial assets held by the authority are as detailed below:

Financial asset category	Criteria	Maximum investment
Deposits with banks	Short Term: F1 Long Term: AA	
	Are UK Banks or UK Bank Subsidiaries of Major Oversea Banks. Banks Nationalised by HM Government	£10m £3m
Deposits with building societies	Short Term : F1	
	Nationwide Building Society	£8m
	Yorkshire, Coventry and Leeds	£5m
	Furness and Hinckley & Rugby	£3m

Elmbridge does not have any money in Money Market Funds.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Elmbridge Borough Council.

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

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

The authority does not generally allow credit for customers, such that £985,000 of the £3.7m balance is past its due date for payment. The past due amount can be analysed by age as follows:

<b>31-Mar-09</b>		<b>31-Mar-10</b>
<b>£'000</b>		<b>£'000</b>
823	Less than three months	775
28	Three to Six months	78
4	Six months to one year	39
43	More than one year	93
<b>898</b>		<b>985</b>

### **Liquidity risk**

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

At 31 March 2010 Elmbridge has external borrowing with the Public Works Loan Board for £1,500,000 with a maturity in excess of 15 years.

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

### **Market risk**

#### Interest rate risk

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

- Borrowing at fixed rates – the fair value of the liabilities borrowing will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL.

However, interest receivable on variable rate investments will be posted to the Income and Expenditure Account and any changes in interest rates will have an impact on the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL.

The authority has a number of strategies for managing interest rate risk. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the authority against changes in the investment income generated on its surplus funds due to changes in market conditions, at the 31 March 2010 the balance remaining on this reserve was approximately £2.3 million.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an additional £124,000 being credited to the Income and Expenditure Account. The impact of a 1% fall in interest rates would be a decrease of £124,000 to the Income and Expenditure Account.

### Price risk

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

### Foreign exchange risk

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

## 10. Stocks and Work in Progress

31/03/2009		31/03/2010
£'000		£'000
26	Paper	22
16	Day Centre Food etc	13
4	Museum Goods	4
33	Wheelie Bins	38
13	Postages	10
3	Community Alarms	5
4	Other	1
1	Work in Progress	1
100		94

## 11. Creditors

31/03/2009		31/03/2010
£'000		£'000
35	Government Departments	6
5,486	Sundry Creditors	5,819
1,686	Receipts in Advance	1,813
	Council Tax Transactions	
1,329	- Surrey County Council (Creditor)	1,740
236	- Surrey Police (Creditor)	309
239	- Elmbridge (Receipt in Advance)	274
9,011		9,961

## 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 the final value of this claim has been determined and settled at £95,000 (£20,000 had been lodged with the court during 2007/08).

During 2009/10 three property related issues are either being taken to court or may be the subject of court action. It is unknown at this time the overall cost of these actions however a provision of £265,000 has been made based on best estimates.

An outstanding dispute with a number of the council's tenants may result in court action regarding the rectification of dilapidation to the premises they occupied. A provision of £200,000 has been set aside for the cost of any future action.

Two outstanding disputes with ex employees of the council may result in legal action and a provision of £125,000 has been set aside for the potential cost.

## 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.

2008/09		2009/10
£'000		£'000
2,055	Opening Balance	2,583
1,093	Receipts in Year	1,216
3,148		3,799
(565)	Applied in Year	(881)
2,583	Balance at Year End	2,918

## 15. Long and Short Term Borrowing

31/03/2009		31/03/2010
£'000		£'000
	<b>Analysis of Loans by Type</b>	
5,500	Public Works Loan Board	1,500
5,500		1,500
	<b>Analysis of Loans by Maturity</b>	
-	Between 1 and 2 years	-
-	Between 2 and 7 years	-
-	Between 7 and 15 years	-
5,500	More than 15 years	1,500
5,500		1,500

The only outstanding borrowing at 31 March 2009 related to a loan made to the Council in 2005/06. The Council redeemed £4.0 million of its outstanding debt on 25 March 2010. 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 £1,443,227.

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 2010 are as follows:

	Local Government Pension Scheme				
	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/10
	£'000	£'000	£'000	£'000	£'000
Estimated Liabilities in Scheme	(92,105)	(90,502)	(80,367)	(77,862)	(108,296)
Estimated Assets in Scheme	66,120	69,411	65,378	49,034	68,874
Net Asset / (Liability)	(25,985)	(21,091)	(14,989)	(28,828)	(39,422)

The liabilities show the authority's long term commitment for the payment of retirement benefits. The total liability of £39.4 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	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010
	%	%	%	%	%
Rate of inflation	3.10	3.20	3.60	3.10	<b>3.8</b>
Rate of increase in salaries	4.60	4.70	5.10	4.60	<b>5.3</b>
Rate of increase in pensions	3.10	3.20	3.60	3.10	<b>3.8</b>
Rate for discounting scheme liabilities	4.90	5.40	6.90	6.90	<b>5.5</b>

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:

	31/03/2010		31/03/2009	
	Males	Females	Males	Females
Current Pensioners	22.7 years	26.1 years	21.5 years	24.4 years
Future Pensioners	24.8 years	28.3 years	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:

	31/03/2006		31/03/2007		31/03/2008		31/03/2009		31/03/2010	
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000
Equities	7.4	49,600	7.8	51,373	7.7	46,442	7.0	35,795	7.8	51,656
Bonds	4.6	11,650	4.9	12,368	5.7	12,517	5.4	8,826	5.0	11,709
Property	5.5	3,740	5.8	4,333	5.7	4,773	4.9	2,942	5.8	4,132
Cash	4.6	1,130	4.9	1,337	4.8	1,646	4.0	1,471	4.8	1,377
<b>Total</b>	<b>6.8</b>	<b>66,120</b>	<b>7.1</b>	<b>69,411</b>	<b>7.1</b>	<b>65,378</b>	<b>6.5</b>	<b>49,034</b>	<b>7.1</b>	<b>68,874</b>

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 2011 will be approximately £2,080,000.

## 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.

2008/09		2009/10
£'000		£'000
2,158	Opening Balance	2,142
1,878	Receipts in Year	2,127
4,036		4,269
(330)	Reclassified Receipts	(12)
(1,564)	Applied in Year	(1,330)
2,142	Balance at Year End	2,927

## 18. Useable Capital Receipts

This is net income received from the sale of assets.

2008/09		2009/10
£'000		£'000
16,561	Opening Balance	15,233
565	Receipts in Year	369
17,126		15,602
(1,879)	Applied in Year - to fund Capital Expenditure	(1,762)
-	Applied in Year - to reduce indebtedness	(4,368)
(14)	Pooling Payments to Central Government	(1)
15,233	Balance at Year End	9,471

## 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.

2008/09		2009/10
£'000		£'000
	<b>Capital Receipts Set Aside</b>	
-	Receipts Set Aside to Reduce Indebtedness	4,368
1,879	Useable Receipts Applied	1,762
1,879	<b>Total Capital Receipts Set Aside</b>	<b>6,130</b>
	<b>Revenue Resources Set Aside</b>	
74	Capital Expenditure Financed from Revenue	183
(14,775)	Reconciling Amount for Provision for Loan Payments	(1,714)
	Net Book Value Asset Disposals	(10)
(14,701)	<b>Total Revenue Resources Set Aside</b>	<b>(1,541)</b>
<b>(12,822)</b>	<b>Total Movement on Reserve</b>	<b>4,589</b>
63,786	Balance brought forward at 1 April	50,964
50,964	Balance carried forward at 31 March	55,553

## 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.

2008/09		2009/10
£'000		£'000
3,549	Gains / (losses) on revaluation of fixed assets	201
(199)	Historic Cost depreciation adjustment	(182)
3,350	Total increase / (decrease) in unrealised capital resources	19
-	Amounts written off on fixed asset disposal	-
3,350	Total movement on Revaluation Reserve	19
3,641	Balance brought forward at 1 April	6,991
6,991	Balance carried forward at 31 March	7,010

## 21. Movements in Revenue Resources and Collection Fund Adjustment Account

	General Fund Balances	Earmarked Revenue Reserves	Pension Reserves	Collection Fund Adjustment
	£'000	£'000	£'000	£'000
Surplus/(Deficit) for 2009/10	207	369	(333)	46
Actuarial gain / (loss) Relating to Pensions			(10,261)	
	207	369	(10,594)	46
Balance brought forward at 1 April 2009	5,351	9,838	(28,828)	108
Balance carried forward at 31 March 2010	5,558	10,207	(39,422)	154

### 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.

## Earmarked Revenue Reserves

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

	Note	31 March 2009	Additions	Use of Reserve	31 March 2010
		£'000	£'000	£'000	£'000
Capital Expenditure	a	785	80	(140)	725
Revenue Contingency	b	666	-	-	666
Insurance	c	157	43	-	200
Interest Equalisation	d	2,557		(244)	2,313
Maintenance of Graves	e	192	-	-	192
Insurance Premium Excess	f	101	-	-	101
Mill Road Depot	g	28	-	-	28
Sponsorship CCTV	h	17	-	-	17
North Weylands Industrial Estate	l	3	-	-	3
Centres for the Retired Donations	j	91	20	(16)	95
Relief Care Advice Line	k	8	-	-	8
Sarah Payne Memorial Fund	l	10	-	-	10
Thames Ditton Dual Use Facility	m	9	2	-	11
Home Office Projects	n	413	83	(10)	486
Sponsorship of Trees	o	21	-	-	21
Planning Delivery Grant	p	341	204	(171)	374
Strategic Reserve (PDG)	q	737	-	-	737
Strategic Reserve (LABGI) *	r	1,527	72	(35)	1,564
Hospital Discharge Scheme	s	20	-	-	20
Revenue Risk Reserve	t	500	-	-	500
Repairs and Maintenance	u	300	100	-	400
Smoke Free	v	21	-	-	21
Performance Reward (LPSA) - Revenue Grant	w	334	92	(14)	412
Elmbridge Civic Improvement Fund	x	1,000	-	(34)	966
Paul Vanson Memorial Fund	y	-	14	-	14
Concessionary Fares Formula Grant	z	-	290	-	290
Habitats Regulations Assessment	aa	-	34	(1)	33
<b>Total Earmarked Revenue Reserves</b>		<b>9,838</b>	<b>1,034</b>	<b>(665)</b>	<b>10,207</b>

## Notes to Earmarked Revenue Reserves

- |   |  |
|---|--|
| <b>a. Capital Expenditure</b>               | 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>b. Revenue Contingency</b>               | 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.   |
| <b>c. Insurance</b>                         | The Insurance Reserve covers likely future payments relating to agreed excesses on the Councils insurance policies.  |
| <b>d. Interest Equalisation</b>             | To balance out year on year fluctuations in the external interest earned by the investment of surplus funds.   |
| <b>e. Maintenance of Graves</b>             | Funds received to pay for the annual maintenance of graves.  |
| <b>f. Insurance Premium excess</b>          | A reserve established to provide for the premium excess payments the authority makes each year.  |
| <b>g. Mill Road Depot</b>                   | Money held in lieu of dilapidation works deposited by an ex-occupier of Mill Road Depot.   |
| <b>h. Sponsorship CCTV</b>                  | Funding received to support CCTV schemes.  |
| <b>i. North Weylands Industrial Estate</b>  | Deposits held for occupation of the Industrial Estate.   |
| <b>j. Centres for the Retired Donations</b> | Donations made to support the ongoing provision and maintenance of day centre services.  |
| <b>k. Relief Care Advice Line</b>           | Money held for the future support of the Relief Care Advice Line.  |
| <b>l. Sarah Payne Memorial Fund</b>         | Money provided to pay for future maintenance of the Sarah Payne Memorial.  |
| <b>m. Thames Ditton Dual Use Facility</b>   | A deposit held for the potential future development of a Dual Use Facility.  |
| <b>n. Home Office Projects</b>              | Funds provided by the Home Office related to Crime and Disorder initiatives.   |
| <b>o. Sponsorship of Trees</b>              | Money donated to provide for the future planting of trees.   |
| <b>p. Planning Delivery Grant</b>           | A grant received by local planning authorities from Government.  |
| <b>q. Strategic Reserve (PDG)</b>           | 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.  |
| <b>r. Strategic Reserve (LABGI)</b>         | 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.                                      |
| <b>s. Hospital Discharge Scheme</b>         | To assist with provision of facilities to enable people to leave hospital.   |
| <b>t. Revenue Risk Reserve</b>              | A reserve established to manage the revenue budget risks facing the authority.   |

- |   |   |
|---|---|
| <b>u.</b> Repairs and Maintenance                 | A reserve established to deal with emergency repairs and maintenance and dilapidation costs to council owned property.  |
| <b>v.</b> Smoke Free                              | Grant money received for the promotion and education relating to "Smoke Free" legislation.  |
| <b>w.</b> 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.  |
| <b>x.</b> Elmbridge Civic Improvement Fund        | Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement and regeneration of the borough.  |
| <b>y.</b> Paul Vanson Memorial Fund               | A donation given to the Council for future twinning activities.   |
| <b>z.</b> Concessionary Fares Formula Grant       | Established to protect the authority from any change in the level of Formula Grant funding as a result of the transfer of responsibility for Concessionary Fares to Surrey County Council   |
| <b>aa.</b> Habitats Regulations Assessment        | Under the provision of the Habitat Regulations, the Council is required to consider the potential impact of a land use plan on European Designated sites – Special areas of Conservation (SAC), Special Protection Areas (SPA) or Ramsar Sites. |

### **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 2009/10 can be analysed into the following categories: measured as absolute amounts and as a percentage of assets at 31 March 2009:

	£'000	%
Differences between the expected and actual return on assets	17,446	35.6
Differences between actuarial assumptions about liabilities and actual experience	(27,707)	(56.5)
Changes in the demographic and financial assumptions used to estimate liabilities	-	
Actuarial gain / (loss) relating to pensions - 2009/10	(10,261)	
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)	

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account reflects the difference between the sums required by Government regulations to be charged to the General Fund in the year and the amount required by accounting requirements to be shown in the Income and Expenditure Account. The balance on this account reflects Elmbridge Borough Council's proportion of the overall Collection Fund Balance. Details of the overall Collection Fund Balance and the Income and Expenditure account are shown on page 50 of the Statement of Accounts.

## 22. Notes to the Cash Flow Statement

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

2008/09		2009/10	
		£'000	£'000
	<b>Surplus on Fund Balances</b>		
(13,180)	Surplus / (Deficit) on Income and Expenditure Account	(1,067)	
13,156	Net Additional Amount required by Statute and non statutory proper practice ( See note 5 to the Core Financial Statements )	1,273	
(24)			206
	<b>Movement in Current Assets</b>		
(7)	Decrease / (Increase) in Stocks and Works in Progress	6	
(621)	Decrease / (Increase) in Debtors	(1,184)	
(2)	Decrease / (Increase) in Payments in Advance	(7)	
(630)			(1,185)
	<b>Movement in Current Liabilities</b>		
(2,068)	Increase / (Decrease) in Creditors	788	
257	Increase / (Decrease) in Receipts in Advance	162	
(1,811)			950
	<b>Movement in Long Term Liabilities</b>		
(100)	Increase/(Decrease) in Provisions	460	
(100)			460
1,150	Transfers to / (from) Other Reserves	369	
239	Interest Paid on Borrowing	219	
(3,002)	Interest on Balances	(1,953)	
			(1,365)
(4,178)	<b>Net Cash (Outflow)/Inflow from Revenue Activities</b>		(934)

**Reconciliation of Movement in Cash to Movement in Net Debt**

	2008/09	2009/10	Movement
	£'000	£'000	£'000
Cash in Hand	4	4	-
Cash at Bank / (Overdraft)	1,330	964	(366)
	1,334	968	(366)
Debt Due After 1 year	(5,500)	(1,500)	4,000
Debt Due Within 1 year	-	-	-
	(5,500)	(1,500)	4,000
Current Asset Investments	18,400	18,380	(20)
Long Term Investments	17,000	14,000	(3,000)
	35,400	32,380	(3,020)
Net Funds / (Debt)	31,234	31,848	614

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

	31/03/2009	31/03/2010	Movement
	£'000	£'000	£'000
Current Asset Investments	18,400	18,380	(20)
Long Term Investments	17,000	14,000	(3,000)
	35,400	32,380	(3,020)
Change in Accruals			(525)
Net Cash Flow			(3,545)

**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**

2008/09		2009/10
£'000		£'000
31,586	Housing and Council Tax Benefit Subsidy	41,126
775	Formula Grant	1,196
755	Specific Capital Grants	301
5,570	Contribution from NDR Pool	5,182
922	LABGI	72
529	Other Government Revenue Grants	635
40,137	Total	48,512

## 23. 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 2009/10 amounted to £390,099 (2008/09 - £398,002). These allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances.

## 24. Officers' Emoluments

The Accounts and Audit Regulations 1996 introduced a specific requirement for the disclosure of officers' emoluments. This information must be in a form which shows the number of employees whose total remuneration for the year fell in each band of a scale in multiples of £5,000, starting at £50,000. This sum includes benefits in respect of such items as car provision, attendance allowances, electoral fees and employers pension contributions, details of which are as follows:

2008/09		2009/10
15 (6)	£50,000 - £54,999	<b>17</b>
5 (-)	£55,000 - £59,999	<b>9</b>
1 (1)	£60,000 - £64,999	<b>3</b>
1 (4)	£65,000 - £69,999	<b>3</b>
2 (5)	£70,000 - £74,999	<b>2</b>
5 (-)	£75,000 - £79,999	<b>1</b>
3 (-)	£80,000 - £84,999	<b>7</b>
- (1)	£85,000 - £89,999	-
- (-)	£90,000 - £94,999	-
- (1)	£95,000 - £99,999	-
- (-)	£100,000 - £104,999	-
- (1)	£105,000 - £109,999	-
1 (-)	£110,000 - £114,999	-
- (-)	£115,000 - £119,999	-
1 (1)	£120,000 - £124,999	<b>2</b>
- (-)	£125,000 - £129,999	-
- (-)	£130,000 - £134,999	-
1 (-)	£135,000 - £139,999	-
- (-)	£140,000 - £144,999	-
- (-)	£145,000 - £149,999	-
- (-)	£150,000 - £154,999	-
- (-)	£155,000 - £159,999	-
- (-)	£160,000 - £164,999	<b>1</b>

\* Restated to include employers pension contribution, previous years figures in brackets.

In addition, the regulations require a full breakdown of the remuneration of the following senior officers of the Council (these officers are no longer reflected in the above table).

**Disclosure of remuneration for senior employees  
2009/10 Elmbridge BC**

Post Holder Information	Notes	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension contributions	Pension Contributions	Total remuneration including pension contributions 2009/10
Chief Executive (Head of Paid Service)	1	122,697.50	8,656.86	4,583.00	7,909.72	0.00	0.00	143,847.08	19,046.36	162,893.44
Assistant Chief Executive	2									
Strategic Director - Resources (S151 Officer)		96,755.97	4,000.00	0.00	6,597.00	0.00	1,013.00	108,365.97	13,904.55	122,270.52
Strategic Director - Services		101,397.00		0.00	6,720.11		1,452.00	109,569.11	14,913.12	124,482.23
Head of Legal Services (Monitoring Officer)	3	49,147.40		0.00	5,164.56	0.00	1,731.65	56,043.61	9,496.97	65,540.58
		369,997.87	12,656.86	4,583.00	26,391.39	0.00	4,196.65	417,825.77	57,361.00	475,186.77

Note 1 The one off merit award paid to the Chief Executive in 2009/10 (£4,583) related to the 2008/09 financial year, there is no equivalent payment for 2009/10.

Note 2 The Assistant Chief Executive was seconded to act as Chief Executive at Epsom and Ewell Borough Council until November 2009 when she was appointed permanently to the position. All of the costs were fully re-imbrued by Epsom and Ewell. The full annual salary of the Assistant Chief Executive would have been £75,936. This post has currently been frozen on the Councils establishment list and there are currently no plans to recruit to this post.

Note 3 The Head of Legal Services works a four day week. The annualised salary for the post is £64,125

**2008/09 Elmbridge Borough Council**

**Comparative data**

Post Holder Information	Notes	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension contributions	Pension Contributions	Total remuneration including pension contributions 2008/09
Chief Executive (Head of Paid Service)		112,168.46	2,504.85	0.00	6,324.10	0	2,165.88	123,163.29	16,627.63	139,790.92
Assistant Chief Executive	1	52,222.48	3,914.17	0.00	3,836.45	0	781.43	60,754.53	11,408.31	72,162.84
Strategic Director - Resources (S151 Officer)		91,467.33		0.00	6,857.83	0	686.00	99,011.16	13,150.32	112,161.48
Strategic Director - Services		98,445.00		0.00	6,858.35	0	1,288.00	106,591.35	14,452.38	121,043.73
Head of Legal Services (Monitoring Officer)	2	23,891.25		0.00	2,422.25	0	0.00	26,313.50	3,464.25	29,777.75
Head of Legal Services (Monitoring Officer)	2	15,564.00		0.00	334.37	0	895.51	16,793.88	0.00	16,793.88
		393,758.52	6,419.02	0.00	26,633.35	0.00	5,816.82	432,627.71	59,102.89	491,730.60

Note 1 The Assistant Chief Executive was seconded to act as Chief Executive at Epsom and Ewell Borough Council from December 2008 All of the costs were fully re-imbrued by Epsom and Ewell BC. The full annual salary of the Assistant Chief Executive would have been £73,725

Note 2 The Head of Legal Services post was occupied by two post holders in the year. The first was in post from July to November. With the second post holder commencing in December. The full annualised salary for this post is £57,339

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

## 25. 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;

2008/09		2009/10
£		£
10,629,608	Paragon Community Housing Group	11,788,991
577,690	A2 Housing	654,045
452,911	Castle Wildish	355,199
115,525	Walton, Weybridge & Hersham CAB	122,008
77,357	Esher & District CAB	82,517
33,230	Claygate Recreation Ground Trust	24,923
26,650	South East Employers	12,533
22,830	Voluntary Action Elmbridge	23,235
20,952	Riverhouse Barn	22,328
20,500	Elmbridge Rentstart	20,500
20,469	Local Government Association	17,763
12,500	Hersham Youth Trust	525
12,038	Vera Fletcher Hall Association	12,766
11,975	Brooklands Museum Trust Ltd	975
10,185	Relate - West Surrey	12,915
6,750	Oxshott Heath Conservators	6,570
5,000	Elmbridge Business Partnership	5,000
3,000	Elmbridge Twinning Guild	-
2,500	Home Start Elmbridge	-
2,100	Mediation North Surrey	2,100
1,210	Claygate Village Youth Club Association	264
500	Long Ditton Youth Project	1,000
(2,860)	CHEER	-

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 2010, 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.

## 26. Leases and Rentals

The Council uses minor kitchen equipment and provides public conveniences under the terms of various operating leases. The amounts paid under the terms of these arrangements in 2009/10 were £119,816. The leasing arrangements for the public conveniences (£117,435) are in the seventh year of its lease. The minor kitchen equipment (£2,381) is in its third year of lease.

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:

2008/09		2009/10
£'000		£'000
161	Walton Town Centre	162
544	Industrial Estates	415
42	Elmgrove (Walton on Thames)	42
32	Recreational Land	39
45	Other	59
824	<b>Total</b>	<b>717</b>

The net book value of these properties is £13.7 million (accumulated depreciation £2.2 million). The outstanding leases on these properties range from 1 to 100 years.

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

2008/09		2009/10
£'000		£'000
54	North Weylands Industrial Estate	27
32	Other	23
86	<b>Total</b>	<b>50</b>

## 27. Audit Costs

In 2009/10 Elmbridge Borough Council incurred the following fees relating to external audit and inspection.

2008/09		2009/10
£	Audit/Inspection Area	£
26,842	Planning, review and reporting	31,134
41,487	Audit opinion	48,866
-	Local risk based work	-
68,329	<b>Total Audit</b>	80,000
29,860	<b>Use of Resources</b>	30,010
98,189	<b>Total Audit and Use of Resources</b>	110,010
25,000	<b>Grant Certification</b>	25,000
	<b>Inspection</b>	
6,569	Annual inspection work - Council	9,152
6,569	<b>Total Inspection</b>	9,152
129,758	<b>Total Audit and Inspection Fee</b>	144,162
-	Voluntary Improvement Work	-
129,758	<b>TOTAL</b>	144,162

## 28. Trust Funds

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

31/03/2009		31/03/2010
£		£
156,670	King Georges Hall	449,363
76,329	Mayor of Elmbridge Trust	76,802
56,582	Miss Harrison Bequest	64,560
96	Cyril Harvey Trust	96
289,677		590,821

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:

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

## 29. 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.

## 30. 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 2010 is set out below:

	31/3/2009	Expenditure	Income	31/3/2010
	£'000	£'000	£'000	£'000
<b>Capital S106 Receipts</b>				
Social Housing	821	-	-	821
Leisure	301	165	594	730
Other	92	20	117	189
	1,214	185	711	1,740
<b>Revenue S106 Receipts</b>	1,498	-	61	1,559
<b>Total S106 Receipts</b>	<b>2,712</b>	<b>185</b>	<b>772</b>	<b>3,299</b>

### 31. Events after the Balance Sheet Date

The 2009/10 statement of accounts were authorised for issue by Sarah Selvanathan, the Strategic Director – Resources, on 29 September 2010. All material events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date and as a result the following disclosure is made.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

**Sarah Selvanathan**  
**Strategic Director - Resources**

**Date 29 September 2010**

## Collection Fund Income and Expenditure Account

2008/09			2009/10
£'000		Note	£'000
	<b>Income</b>		
84,323	Council Tax	(1)	86,853
	Transfer from General Fund:		
5,744	Council Tax Benefit	(1)	6,569
50,782	Income collectable from Business Rate Ratepayers	(2)	51,476
140,849			144,898
	<b>Expenditure</b>		
89,165	Precepts and Demands from County, District & Police	(3)	92,096
	Business Rate:		
50,585	Payment to National Pool	(2)	51,280
197	Cost of Collection Allowance	(2)	196
	Contributions:		
723	Towards previous years estimated Collection Fund Surplus	(4)	775
	Bad and Doubtful Debts/ Appeals:		
139	Write Offs		126
94	Provisions	(5)	93
140,903			144,566
54	Movement on Fund Balance		(332)
	<b>Movement on Fund Balance</b>		
(871)	Balance at 1 April		(817)
(817)	Balance at 31 March		(1,149)

Precepts and Demands on the Collection Fund				
2008/09		2009/10		
Total		Precept/ Demand	Share of 31.3.2010 Surplus	Total
£'000		£'000	£'000	£'000
11,942	Elmbridge Borough Council	12,418	154	12,572
66,270	Surrey County Council	67,639	845	68,484
11,770	Surrey Police Authority	12,039	150	12,189
<b>89,982</b>		<b>92,096</b>	<b>1,149</b>	<b>93,245</b>

## 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 2009/10 council tax charge for Band D properties of £1,499.65 within the Claygate Parish Area and £1,485.47 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 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	217		6/9	145	
B	1,380		7/9	1,073	
C	5,953		8/9	5,292	
D	11,448		1	11,448	
E	9,695		11/9	11,849	
F	7,054		13/9	10,189	
G	10,158		15/9	16,930	
H	3,156		18/9	6,313	
<b>TOTAL</b>	<b>49,061</b>			<b>63,239</b>	
			<u>Less: Adjustments (see below)</u>	(1,138)	
			<b>Council Tax Base</b>	<b>62,101</b>	

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

### 2. Income from Business Rates

It is the Council's responsibility to collect business 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 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 (£122.217 million) multiplied by the Uniform Business Rates (48.5p), (48.1p) for small businesses	58,786
Less : Debit adjustment made in year for empty properties and revaluations (including prior years)	7,335
Plus : Reliefs and Write-Offs (net)	25
Net Sum Collectable	51,476
Less : Allowance for Collection	196
Payment to National Pool	51,280

The Non Domestic Rateable Value for the Elmbridge area at 31 March 2010 was £121.730 million.

### 3. Precepts and Demands

2008/09		2009/10
£'000		£'000
65,668	Surrey County Council	67,639
11,786	Elmbridge Borough Council	12,370
11,663	Surrey Police Authority	12,039
48	Claygate Parish Council	48
89,165		92,096

### 4. Distribution of Council Tax Surplus

2008/09		2009/10
£'000		£'000
532	Surrey County Council	571
101	Elmbridge Borough Council	103
90	Surrey Police Authority	101
723		775

### 5. Council Tax Provision for Bad Debts

2008/09		2009/10
£'000		£'000
400	Opening Balance	494
94	Increase / (Decrease) In Bad Debts Provision	93
494	Balance at Year End	587

## **Annual Governance Statement 2009/10**

### **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 2010 and up to the date of approval of the Annual Report and Performance Plan and Statement of Accounts for 2009/10.

### **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 2009. 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 2009/10.

#### **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. The priorities which were agreed in February 2009 were agreed for a two year period and these will be reviewed in June 2010 – ready for adoption in April 2011.

Progress towards the achievement of the objectives is monitored quarterly through the Performance Management Framework. Reports are received by the Council, Cabinet, Overview & Scrutiny Committee 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 2009/10. 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 2009/10, 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 – during 2009/10 the Council had three Overview and Scrutiny Committees. 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 Overview and Scrutiny Committee to consider any proposed action agreed by the Cabinet within prescribed timescales, thereby ensuring a mechanism for holding the executive to account.

- The Council carried out a review of Overview and Scrutiny in 2009/10 and this review has led to the adoption from May 2010 of a single Overview and Scrutiny Committee.
- 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 Committee has three independent members, one of whom is the Chair.

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 confidential reporting (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. There have been no findings of maladministration against the Council by the Local Government Ombudsman in 2009/10.

- 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 2009 /10 following consideration in Member Working Group, Overview and Scrutiny Committee, Cabinet and full Council. The Council approved revisions to the Constitution across a range of functions on 9 December 2009. The Council has subsequently approved further changes to its structure, including a new scheme for Overview and Scrutiny. The Council will on 6 October 2010 formally resolve to adopt a new Leadership model following public consultant for implementation in May 2011.

- 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 Governance, Customer Care, Data Protection, Anti-Fraud and Corruption and Confidential Reporting (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 2009 and to Cabinet in February 2010. Risk Management training and awareness sessions were held for both members and Officers in 2009/10.

As part of the preparation of the Annual Governance Statement for 2009/10 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.

In 2009 the Council embarked on a Business Improvement Programme BEAM (Business Efficiency Achieves More).

It is a follow on from the VFM (Value for Money) reviews. The main difference is that instead of looking at a whole service, BEAM focuses on processes, with the aim of improving the customer experience.

For example, a VFM review would look at the Corporate Policy and Partnerships Division to try to identify efficiency savings across the whole division. In this example, BEAM might just look at the way the Elmbridge Review is being produced, and look for more efficient ways of doing so.

The Council needs to continue its programme of improvement, as is good practice in all organisations. The Council also needs to ensure it provides the best services possible to its customers and ensure they are as efficient as possible.

**Benefits for the customer:** improve the customer experience, less contact with the Council.

**Benefits for the process team:** the time and opportunity to make changes so that the process is simpler, quicker and easier to work with.

**Benefits for the Council:** improve our satisfaction rating and our processes and ensure their efficiency.

### 3.10 Use of Resources

Comprehensive Area Assessment (CAA) was a new way of assessing local public services in England, when it was introduced in April 2009. It examined how well councils worked together with other public bodies to meet the needs of the people they serve. It was a joint assessment made by a group of six independent watchdogs. It was an annual assessment that was reported by the Audit Commission in December 2009. It incorporated a revised Use of Resources assessment, previously in place, which was developed by the Audit Commission and was considered a tougher test.

The Council was specifically assessed under Comprehensive Area Assessment (CAA) by means of an Organisational Assessment. The Organisational Assessment was made up of two elements: a Use of Resources Assessment and a Managing Performance Assessment.

The overall results were reported to the Council via an Organisational Assessment Report.

The reports were received by the Council in December 2009 and related to the year 2008/09. This meeting presented the first opportunity to report formally to Members of the Council. The results of the Organisational Assessment for 2008/09 were published on 9 December 2009 by the Audit Commission on their One Place website [www.direct.gov.uk/oneplace](http://www.direct.gov.uk/oneplace).

### Organisational Assessment Judgement

An overall scored judgement on the basis of 1 to 4 is received, based on the Council's performance against the Managing Performance Assessment and the Use of Resources Assessment. Individual scores are also given for the Managing Performance Assessment and Use of Resources assessment.

The scores given follow the standard scale used by the Audit Commission identified below:

- |   |  |                             |
|---|--|-----------------------------|
| 1 | <i>An organisation that does not meet minimum requirements</i>         | <i>Performs poorly</i>      |
| 2 | <i>An organisation that meets only minimum requirements</i>            | <i>Performs adequately</i>  |
| 3 | <i>An organisation that exceeds minimum requirements</i>               | <i>Performs well</i>        |
| 4 | <i>An organisation that significantly exceeds minimum requirements</i> | <i>Performs excellently</i> |

The Council received an overall scored judgement of 3 for 2008/09, the Council is performing well and exceeds the minimum requirements.

The overall score was based on the following scores for the Managing Performance assessment and the Use of Resources assessment, as shown in the Table below.

<b>Managing performance</b>	<b>3 out of 4</b>
<b>Use of Resources</b>	<b>3 out of 4</b>
<b>Managing finances</b>	<b>3 out of 4</b>
<b>Governing the business</b>	<b>3 out of 4</b>
<b>Managing resources</b>	<b>3 out of 4</b>

The Council received the joint highest score in Surrey with Woking Borough Council, scoring 3's across all the areas assessed.

Following the change of government CAA was abolished in May 2010 and no new scores are to be issued by the Audit Commission for the Use of Resources Assessments, the Managing Performance Assessments or the overall Organisational Assessments for the year 2009/10. However, a Value for Money conclusion will be issued for 2009/10.

The Audit Commission is in discussions with the government and other representative bodies about the future approach to inspections.

### 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 2009/10 included:**

- **The setting of annual budgets;**
- **Monitoring of actual income and expenditure against the profiled budget;**
- **A continuous review of the annual budget and actions taken to mitigate the drop in income levels;**
- **Setting of financial and performance targets, including the prudential code and associated indicators;**
- **Regular 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 and in particular income from fees and charges 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. In 2009/10 all planned internal audit service reviews were risk-focused and a comprehensive risk-based auditing approach to both audit planning and activity has been developed further. 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 2009 and the Corporate Risk Register for 2009/10 was taken to Cabinet in February 2009, 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 and BEAM Review Programme

In 2009/10 the Council developed a process review scheme called Business Efficiency Achieves More (BEAM) based on best practice from the VFM review programme and lessons learned from two pilot reviews that took place in 2008/09.

The BEAM review programme commenced in October 2009. By 31<sup>st</sup> March 2010 five

reviews had been completed and a sixth review was in progress. Two more reviews are being undertaken in early 2010 -11 with two further reviews planned. The programme is continuing until March 2011.

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 2009/10 the Council commenced a new Passport for Training two year programme that introduces 4 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.

The Council has in place a comprehensive induction, development and support programme for all Members of the Council. The development is reviewed annually and informed by Members. 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 is the only authority to achieve this Gold Standard accreditation in the Local Government world.

3.17 Partnership governance arrangements

The Council significantly strengthened its partnership governance arrangements in 2009/10 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. In addition, there are requirements for management of performance, data quality and information sharing, equalities, conflict resolution and termination procedures and risk registers and are in place in the Framework.

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 2009/10 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 2009/10. The review resulted in the Council approving new arrangements on 9 December 2009. The Council will in 2010/11 consult the public on which of the two statutory Leadership models ('Strong Leader' or 'Elected Mayor') it should adopt for implementation in May 2011.

##### **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 Committee has a Forward Work Programme.

##### **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 2009/10 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 2009/10 the results of the Internal Audit reviews have been reported to the Audit and Standards Committee. High risk audit recommendations made in 2009/10 have been implemented and followed up by Internal Audit and none remain outstanding. In 2009/10 regular quarterly reporting to CMB was undertaken.

#### 4.5 External Agencies

During 2009/10 Use of Resources and Managing Performance Assessments were received from the Audit Commission that related to the year 2008/09.

In 2008 the Council was re-accredited by Investors in People (IIP) UK. In July 2009 the Council was informed that the Gold status was effective from 15/02/08. In November 2009 the Council received a plaque in recognition of its further award of Champion status. The Council is one of very few local authorities to have achieved Champion status.

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 31<sup>st</sup> March 2009. The review of the Council's Code of Connection was completed in March 2010 and the Council has been approved for another year as at 15 March 2010.

In March 2010 the Council was awarded 3 out of 4 stars for best practice on its website for useful and useable content by the Society of Information Technology Management (SOCITM). Elmbridge was the only local district in Surrey to achieve such a high score.

Quest accreditation for Xcel and for Sports Development was obtained by the Leisure and Cultural Services Division. In addition, the Council maintained its ISPAL (Institute for Sport, Parks and Leisure) "Active" accreditation throughout 2009/10 and it holds the Charter for the Bereaved. The Council's museum is an MLA accredited museum.

The Local Taxation Division renewed its Charter Mark in January 2010 for a further twelve months for the fourteenth consecutive year. Customer Service Excellence awards were 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 2008/09 have been addressed as follows:-

- i) The Council's Improvement Plan/Implementation Projects for 2009/10 sets out details of corporate working and projects across the Council that have been delivered during the year. This is detailed at Appendix B attached.
- ii) Risk management has been further embedded across the organisation.
- iii) Partnership governance arrangements have been strengthened significantly across the Council.
- iv) Information governance arrangements have been strengthened by the formation of an Information Governance Group. The group will lead the corporate Information Management vision and ensure the Council's Information Management Strategy is implemented, maintained and continually improved.
- v) In order to comply with the Government Connect Code of Connection requirements, an external review of the Council's Code of Connection was completed and the Council was approved for another year as of 15 March 2010. Mandatory information management and information security sessions were provided throughout 2009/10.
- vi) A dedicated homepage for the Audit and Standards Committee has been established with links to all key governance documents and the websites of external agencies.
- vii) A programme of formal meetings between the three statutory officers (Head of Paid Service, Chief Finance Officer and Monitoring Officer) has been put in place to share emerging issues and deal with the management of the Council's business that might fall outside the remit of other structures.

## 6 Significant Governance Issues

**On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31<sup>st</sup> March 2010 there are no significant governance issues to report.**

During 2009/10 some internal control weaknesses were identified by management and by internal audit. For example some information security issues and financial control weaknesses were identified by Internal Audit in two service areas. Internal audit recommendations made to strengthen control in these areas have since been implemented by management.

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

- again more progress has been made on risk management in the organisation and work should continue to ensure that risk management is embedded across the organisation.

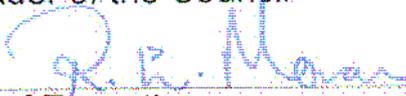
- ensure the Council's business continuity arrangements are in line with best practice. The Council will need to consider appropriate future arrangements to progress business continuity planning. This should have particular regard to review of Part 1 of the Council's Civic Centre Business Continuity Plan. This provides essential information incorporating core procedures for corporate management responsibility and action to be taken in the event of an emergency, with particular regard to the business requirements of the Civic Centre as the major centre of the Council's operations.

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: 23 August 2010  
Leader of the Council

 Date: 24 August 2010  
Chief Executive

## Improvement Plan/Implementation Projects 2009/10

### Project Groups –

No	Project	Significant Actions/outputs	Corporate Risks	Timescales
1	<b>Culture Change</b>	<p>The 2009/10 action plan has been reviewed to focus mainly on the Staff Survey and Big Staff Lunch.</p> <ul style="list-style-type: none"> <li>• The Staff Survey is being led by the Corporate Communications Team and scheduled to start on the 14<sup>th</sup> June. The Culture Change group will review the results to create a new action plan for 2010/11.</li> </ul> <p>A sub group of Culture Change is being set up in May to organise the Big Staff Lunch. We hope to hold the event in July and will seek to involve as many colleagues from across the Council as possible.</p>	G	On-going throughout 2009/10
2	<b>Communications Improvement</b>	<ul style="list-style-type: none"> <li>• Published the Elmbridge Review in March</li> <li>• Signed off contract for the preferred suppliers.</li> <li>• However CMB are asked to note that a forward plan of work has not been developed due to resource changes in the corporate Communications team.</li> </ul>	A, G, M, N	On-going throughout 2009/10
3	<b>Carbon Footprint Reduction</b>	<p><b>In October last year, the Carbon Footprint Reduction Group put a bid for the Energy Saving Trust (EST) 1-to-1 support programme. This bid was successful and entitled Elmbridge to 60 days free consultancy support from the EST to prepare a Climate Change action plan to reduce per capita CO2 emissions in the local area. The Group has met with the EST and identified a number of actions, which are being reviewed. A Draft Action Plan will be prepared and the Group will commence implementation of the plan during 2010/2011.</b></p>	G, L	On-going throughout 2009/10
4	<b>Customer Service Improvement Programme (CSIP)</b>	<p>The new housing and local taxation reception area was implemented on time. The CSIP Members Group has been disbanded and will not be replaced and the Customer Services Improvement Programme will not continue in its current state. A joint meeting of the Customer Champions and Officers working group met in February to discuss the future of the groups and it was felt there was still a</p>	G	On-going throughout 2009/10

No	Project	Significant Actions/outputs	Corporate Risks	Timescales
		<p>place for both the Customer Champions and Officers Working Group to continue meeting to address corporate customer service issues. Customer Champions will continue to exchange best practice and discuss operational issues, whilst the Officers Working Group remains more strategic and focussed on policy. A group will aim to meet every other month and attendance would depend on the issues being discussed at that meeting, whilst sub-groups could meet to take forward actions. A forward plan will be developed and the groups will need to be refreshed in light of recent organisational changes.</p>		
5	<b>Investors in People</b>	<p>Elmbridge are due to be reassessed in February 2011. Management Board recently approved reconvening the liP Working Group and the first meeting will be arranged within the next two weeks. The working group will assist the Council to prepare for the assessment, taking into consideration the priorities set out in the Council's improvement plan, recommendations from our liP Adviser and feedback from our previous assessment. Elmbridge will need to achieve gold standard in order to retain Champion status.</p>	D, K, G, P	On-going throughout 2009/10

## Corporate Groups –

No	Project	Significant Actions/outputs	Corporate Risks	Timescales
1	<b>Corporate Governance</b>	Update as at end May: The Audit Commission have been asked to cease all work on updating the area and organisational assessment with immediate effect. Our appointed auditors (Audit Commission) will be reporting a value for money conclusion alongside their opinion on the financial statements in September.	B, C, I, L, M, O, Q	On-going throughout 2009/10
2	<b>Equality and Diversity</b>	<b>The group continues to meet monthly. Public and member consultation on Equality Impact Assessments conducted during this quarter. Lead officers assigned to workstreams in the Equality Framework, and officers progressing work in this regard. Participation in and support for the Elmbridge Equality and Diversity Forum continues.</b>	G	On-going throughout 2009/10
3	<b>Risk Management</b>	<p>The Operational and Corporate Strategic Risk Registers have been reviewed with an emphasis on risk scores and recurring risks within divisions. The 2010/11 Corporate / Strategic Risk Register was approved by Council in Feb 2010.</p> <p>An ongoing review of risks associated with the Council's partnerships and secondment arrangements is in progress with reference to checklists, risk registers and insurance cover.</p> <p>A re-tendering exercise for the Councils insurance cover is underway.</p>	<p>March 2009: major strategic risks identified</p> <p>Strategic and Operational Risk Registers</p>	<p>March 2010: update of Strategic Risk Register</p> <p>September 2009: review of Operational Risk Registers completed.</p> <p>On-going throughout 2009/10</p>
4	<b>Information Governance</b>	<ul style="list-style-type: none"> <li>The first meeting of the Information Governance Group (IGG) was held on 19 January 2010 with the Law Practice Manager as chair of the new group. The IGG will lead the corporate Information Management vision and will report to the Corporate Management Board and ensure the Council's Information Management Strategy is implemented, maintained and continually improved.</li> <li>The IGG reviewed and updated the draft Information Management</li> </ul>	E, F, H	On-going throughout 2009/10

No	Project	Significant Actions/outputs	Corporate Risks	Timescales
		<p>Strategy with the final version approved by CMB in March 2010 and issued to Members in Information Bulletin No 25.</p> <ul style="list-style-type: none"> <li>• The Information Management Strategy included an Improvement Plan, which will form the basis of the 2010-11 Work Programme for the Information Governance Group.</li> <li>• The IGG delivered mandatory Information Management and Information Security training courses within the Passport 4 Training Programme.</li> <li>• The IGG reviewed information security breach incidents recorded on the ISD Help Desk for 2009/10 and updated the Information Security Incident Management Policy and Procedure.</li> <li>• Received an update on the current status of the Government Connect Project including the successful reassessment of compliance with the Gsi Code of Connection in March 2010.</li> </ul>		
5	<b>Corporate Property</b>	<p>The group meets on a regular monthly basis. We have now formed a Sub Group with officers who are involved in managing assets, along with the Risk Manager and our in-house arborologist. This sub-group is known as the Tree Strategy Group, which also meets monthly. The aim of this Group is to prepare a "Tree Risk Strategy" for the organisation. Discussions at CPG continue to relate to key projects such as, Walton Pool, Walton Bridge, Public Toilets, and Public Halls. The Asset Management Plan and Property Strategy has been agreed by Council and now includes a number of Performance Indicators, which we will be reporting on a regular basis. A revised Disposal and Acquisition Policy will be written and agreed by the Group in June which will then replace the 2006 Policy for the Achievements of Affordable Housing through the Disposal of Surplus Land and Property.</p>	A, D, E, F, K, L, P	On-going throughout 2009/10

## 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).

### **Collection Fund Adjustment Account**

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

### **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