



Elmbridge

Borough Council

... bridging the communities ...

Foreword to the Statement of Accounts 2012

Explanatory Foreword to the Statement of Accounts 2011/12

Strategic Director – Resources

In the financial year to 31 March 2012, the Council delivered its services at a net cost of £15,543,000; which was within the approved budget of £17,839,000. This is in accordance with the Council's medium term financial strategy, and careful management of the Council's services has enabled further savings to be made during the year.

The Council's cost of delivering its services, £15,543,000 differs from the figure shown in the net cost of services in the Comprehensive Income & Expenditure Account by the transactions included in the Comprehensive Income & Expenditure Account required in order to comply with International Accounting Standards which are removed to comply with statute in calculating the expenditure on the Council's General Fund.

The Council's General Fund balance stands at £4,000,000 as at 31 March 2012. The Council's financial health has continued to improve and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term, with risk on the economic recovery and uncertainty around Local Government funding.

In order to mitigate the withdrawal of the Council Tax Freeze grants, the underspend for the year together with the additional balance in the General Fund Balance above the medium term financial strategy requirement of £4 million was transferred to a Council Tax Freeze Grant Reserve, which will assist the Council in ensuring that services are protected in the medium term.

Accounts for 2011/12

The Statement of Accounts

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

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

The Council's Statement of Accounts for the year 2011/12 includes:

The Statement of Responsibilities

This outlines the responsibilities of the Council and the Strategic Director – Resources (S151 Officer).

The Audit Opinion and Certificate

This is provided by the Audit Commission following the completion of the annual audit.

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund specific item of expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which

are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance Account for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. In order to aid clarity, the Council had an element of the general reserve earmarked for specific uses, these have now been established as earmarked reserves.

The Comprehensive Income and Expenditure Account

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

The Balance Sheet

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

The Cash Flow Statement

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

Notes to the Core Financial Statements

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

The Collection Fund Statement

The Collection Fund (England) is a statement that reflects the statutory obligation for Elmbridge as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to other local authorities (Surrey County Council, Surrey Police and Claygate Parish) of Council Tax and the Government for Non-Domestic Rates.

A glossary to the Statement of Accounts is also included to help clarify some of the more technical terms for the reader of these accounts, together with a list of abbreviations.

Financial Planning

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

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

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

Budget proposals were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2010 and February 2011.

The Council's approach to setting the budget involved detailed consideration of financial risk, so that this can be factored into budget decisions. Risks arising in the current year have also been considered in the budget-setting process enabling the Council to move forward with increased confidence.

The 2011/12 Budget incorporated savings of £1.4 million. The main components of the budget for 2011/12, and how they compare with actual income and expenditure to the year are set out below:

Portfolio	2010/11	2011/12			
	Actual £'000	Original Budget £'000	Actual £'000	Variance to Original Budget	
				£'000	%
Community Development	516	386	383	(3)	(1)
Corporate Development	2,110	2,149	1,944	(205)	(10)
Environment and Economy	5,541	5,648	5,333	(315)	(6)
Highways and Transport	(729)	(517)	(773)	(256)	(50)
Housing	1,629	1,954	1,573	(381)	(19)
Leisure and Culture	4,375	4,285	4,136	(149)	(3)
Licensing Committee	245	247	211	(36)	(15)
Regulatory Affairs	410	570	422	(148)	(26)
Resources	2,007	2,663	2,068	(595)	(22)
Social	2,534	2,417	2,195	(222)	(9)
Planning Committee	1,226	1,439	1,340	(99)	(7)
	19,864	21,241	18,832	(2,409)	(11)
Asset Rentals	(1,291)	(1,535)	(1,626)	(91)	(6)
Interest on Balances	(1,210)	(1,055)	(1,269)	(214)	(20)
Contribution From Interest Equalisation Reserve	-	(720)	0	720	100
New Homes Bonus	-	(453)	(554)	(101)	(22)
Council Tax Freeze Grant	-	(312)	(312)	0	0
Transfer to New Homes Bonus Reserve	-	453	554	101	(22)
Provision for Reduction in external Funding	-	197	0	(197)	100
To Earmarked Funds	2,985	(39)	2,566	2,605	-
Contribution From Pension Reserve (FRS17 Adjustment)	(271)	0	0	0	0
Capital Financing	62	62	62	-	-
	20,139	17,839	18,253	414	2
Agreed transfer from General Reserve to Earmarked Reserve	(1,558)	0	(414)	(414)	0
	18,581	17,839	17,839	0	0

The main variances between the original budget and the actual position for 2011/12 are summarised in the table below:

	£'000
Employee Costs	(520)
Running Expenses	(1,731)
Income	(525)
Centrally Held Provisions	(520)
Additional Interest Earned	(164)
Movements In Earmarked Reserves	846
Write Back of Provisions made in previous years	(250)
Transfer from General Reserve to Council Tax Freeze Grant Reserve	414

Budgets are monitored on the following basis;

- i. Monthly - Departmental monitoring of all income and expenditure and a summary of pre-determined major budgets (particularly income streams) is reported to Corporate Management board (CMB).
- ii. First and second quarters – The Cabinet receive a budget monitoring report by portfolio along with key financial indicators.
- iii. Third Quarter – A revised forecast for the year is produced and reported to CMB and Cabinet.

- iv. Year end – The final accounts are produced.

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

Material Assets and Liabilities

There were no material assets acquired or liabilities incurred during 2011/12.

Pensions

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £36.3 million, which reduces the net worth of the Council by some 35%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

In June 2010, the Chancellor announced in his budget statement that future pension increases would be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). In 2010/11 the effect of the change was to reduce the Council's liability to the pension fund by approximately £10,218,000. This was treated as an exceptional item in 2010/11 and is disclosed separately in the Income and Expenditure Statement.

Significant Changes in Accounting Policies and Requirements

There have been no significant changes in Accounting Policies and requirements for 2011/12.

Major Changes in Statutory Duties and Functions

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 2012, the Authority had neither identified nor incurred any liabilities in relation to any possible future introduction of the Euro.

Borrowing

The Council has £1,500,000 of borrowing outstanding at 31 March 2012 from the Public Works Loan Board (PWLb). This was borrowed to part fund the building of the Xcel Leisure facility. No additional borrowing was required during 2011/12.

Capital Expenditure

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

2010/11 £'000	2011/12 £'000
618 Public Building Acquisition and Enhancements	578
483 Private Sector Housing Grants	549
- Affordable Housing Grants / Loans	539
442 Other	408
367 IT Development	384
- CCTV	260
61 Car Park Improvements	83
88 Recycling Containers	69
248 Playground Refurbishments / Tennis Courts	66
391 Walton High Street	19
2,698 Total	2,955

The total capital receipts received which can only be used to fund capital expenditure was £763,213 with £352,835 being received as part of the agreement with Elmbridge Housing Trust (now Paragon) for the Council's proportion of the sale of former council houses.

The Council set its capital programme in February 2012 with spending plans being funded as follows:

	Total Funds Available at 31 March 2012 £'000	Budgeted Spend 2012/13 £'000
Capital Receipts	8,838	3,712
Capital Grants	3,211	1,451
Revenue Resources	752	752
	12,801	5,915

Significant Provisions or Contingencies and Material Write-Offs

There have been no material provisions or write-offs made during the year. Details of provisions can be found in the notes to the Statement of Accounts

Current Economic Climate

The economic crisis that descended on the global economy since the autumn of 2008 produced volatility in income received by the Council from fees and charges. In setting the 2011/12 budget there was much uncertainty about the impact on income streams such as car park income, council tax collection, building control and planning fees. However, there was a significant upturn in income received from fees and charges during the year above the amount included in the budget. The income received from fees and charges is very much dependant on the disposable income of individuals and therefore remains an area of concern going forward.

Investment income arising from the interest the Authority earns on investing any surplus fund makes a significant contribution to reducing the Council Tax. Budgeted interest on balances has fallen from £2.4 million in 2008/09 to £1.2 million in 2012/13 as a result of the decrease in deposit rates and a consequence of the reduction in the Council's approved counterparties with which the Council places its investments.

The Council, when setting the budget in February 2011, planned to use £720,000 from the Interest Equalisation Reserve. However, because of favourable variances against the 2011/12 budget, there was no requirement for any draw down from the Interest Equalisation Reserve in 2011/12.

The adequacy of balances and reserves to withstand future financial pressures

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

The Revenue Risk Reserve is used to mitigate revenue budget risks the Authority faces during the year such as shortfall in income or increase in expenditure.

In 2011/12 the Council established a Council Tax Freeze Grant Reserve to protect the Authority against the reduction in grant awarded to Councils in relation to the Council Tax Freeze Grant.

The Land Charges Service and Building Control Service are required to break even over a rolling three-year period. In order to provide for any future shortfalls in income, in accordance with accountancy practice, the surplus income has been established as a reserve.



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Statement of Accounts

Year Ended 31 March 2012

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Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

Approved by Council

The Statement of Accounts was approved at a meeting of the Audit & Standards Committee on 26 September 2012.



Councillor John O'Reilly

Leader of the Council 27 September 2012

Responsibilities of S151 Officer as Chief Financial Officer

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The S151 Officer has also:

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

Certificate of Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2012 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011.



Sarah Selvanathan

Strategic Director & Deputy Chief Executive (S151 Officer) 26 September 2012

Independent auditor's report to Members of Elmbridge Borough Council

Opinion on the Authority financial statements

I have audited the financial statements of Elmbridge Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director of Resources and auditor

As explained more fully in the Statement of the Strategic Director of Resources Responsibilities, the Strategic Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Elmbridge Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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 to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Elmbridge Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Elmbridge Borough Council 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
Bridge House
1 Walnut Tree Close
GUILDFORD GU1 4UA
28 September 2012

Movement in Reserves Statement

2010/11	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010	5,558	11,899	9,471	2,468	29,396	27,287	56,683
Movement in reserves during 2010/11							
Surplus/(Deficit) on the provision of services Other Comprehensive Income and Expenditure	11,265	-	-	-	11,265	-	11,265
Total Comprehensive Income and Expenditure	11,265	-	-	-	11,265	3,542	14,807
Adjustments between accounting basis and funding basis under regulation (Note 7)	(9,749)	-	(107)	(172)	(10,028)	10,028	-
Net Increase (Decrease) before Transfers to Earmarked Reserves	1,516	-	(107)	(172)	1,237	13,570	14,807
Transfers to/from Earmarked Reserves (Note 8)	(2,660)	2,660	-	-	-	-	-
Increase (Decrease) in 2010/11	(1,144)	2,660	(107)	(172)	1,237	13,570	14,807
Balance at 31 March 2011 carried forward	4,414	14,559	9,364	2,296	30,633	40,857	71,490

2011/12	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011	4,414	14,559	9,364	2,296	30,633	40,857	71,490
Movement in reserves during 2011/12							
Surplus/(Deficit) on the provision of services Other Comprehensive Income and Expenditure	659	-	-	-	659	-	659
Total Comprehensive Income and Expenditure	659	-	-	-	659	(2,983)	(2,324)
Adjustments between accounting basis and funding basis under regulation (Note 7)	2,136	-	(526)	777	2,387	(2,387)	-
Net Increase (Decrease) before Transfers to Earmarked Reserves	2,795	-	(526)	777	3,046	(5,370)	(2,324)
Transfers to/from Earmarked Reserves (Note 8)	(3,209)	3,209	-	-	-	-	-
Increase (Decrease) in 2011/12	(414)	3,209	(526)	777	3,046	(5,370)	(2,324)
Balance at 31 March 2012 carried forward	4,000	17,768	8,838	3,073	33,679	35,487	69,166

The movement in reserves statement shows the position at the 31 March 2012 for the movements between reserves in accordance with the requirements of the Code of Practice. Detailed analysis of the movement in reserves is found in note 8 to the Statement of Accounts.

Comprehensive Income and Expenditure Statement

2010/11					2011/12		
Gross Expenditure	Gross Income	Net Expenditure		N o t e	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			Service Expenditure				
3,639	1,820	1,819	Central Services to the Public		3,253	1,508	1,745
4,979	886	4,093	Cultural and Related Services		5,301	741	4,560
9,441	2,699	6,742	Environmental and Regulatory Services		9,261	2,720	6,541
3,796	2,093	1,703	Planning Services		3,818	1,955	1,863
2,580	2,865	(285)	Highways and Transport Services		2,483	2,891	(408)
46,107	44,005	2,102	Other Housing Services		48,201	45,806	2,395
3,788	1,627	2,161	Adult Social Care		3,537	1,685	1,852
2,075	15	2,060	Corporate and Democratic Core		1,892	22	1,870
-	10,218	(10,218)	Exceptional Items		-	-	-
128	-	128	Non Distributed Costs		87	-	87
76,533	66,228	10,305	Cost of Services		77,833	57,328	20,505
239	14	225	Other Operating Expenditure	9	257	-	257
-	735	(735)	Gains on Sale of Former Council Houses		-	353	(353)
5,624	6,465	(841)	Financing and Investment Income and Expenditure	10	5,929	6,101	(172)
-	20,219	(20,219)	Taxation and Non-Specific Grant Income	11	-	20,896	(20,896)
82,396	93,661	(11,265)	(Surplus) or Deficit on Provision of Services		84,019	84,678	(659)
		(2,942)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	24.2			(4,755)
		(600)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	40.2			7,738
		(3,542)	Other Comprehensive Income and Expenditure				2,983
		(14,807)	Total Comprehensive Income and Expenditure				2,324

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

As a result of changes to the Service Expenditure Analysis introduced by the 2011/12 SeRCOP, the Culture, Environment, Regulatory and Planning Services line has been split into three; Culture and Related Services, Environment and Regulatory Services and Planning Services.

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 2011/12, £352,835 (2010/11 £734,650) 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.

Balance Sheet as at 31 March 2012

2009/10	2010/11		Notes	2011/12
£'000	£'000			£'000
61,605	63,574	Property Plant & Equipment	12	63,038
1,267	1,267	Heritage Assets	13	1,289
5,384	5,511	Investment Properties	14	4,699
1,070	1,126	Intangible Assets	15	1,135
14,419	10,291	Long Term Investments	16	11,209
38	27	Long Term Debtors	18	361
83,783	81,796	Long Term Assets		81,731
13,712	26,523	Short Term Investments	16	27,223
94	72	Inventories	17	83
6,283	4,214	Short Term Debtors	18	3,199
5,848	3,629	Cash and Cash Equivalents	19	8,492
2	-	Assets Held for Sale	20	2,897
25,939	34,438	Current Assets		41,894
(9,131)	(11,509)	Short Term Creditors	21.1	(14,155)
(9,131)	(11,509)	Current Liabilities		(14,155)
(41,646)	(30,293)	Other Long Term Liabilities	21.2	(37,678)
(172)	(192)	Capital Grants Receipts in Advance	33	(138)
(590)	(1,250)	Provisions	39	(988)
(1,500)	(1,500)	Long Term Borrowing	43.2	(1,500)
(43,908)	(33,235)	Long Term Liabilities		(40,304)
56,683	71,490	Net Assets		69,166
29,396	30,633	Usable Reserves	23	33,679
27,287	40,857	Unusable Reserves	24	35,487
56,683	71,490	Total Reserves		69,166

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

Cash Flow Statement

2010/11			2011/12
£'000		Notes	£'000
(11,265)	Net (surplus) or deficit on the provision of services		(659)
5,144	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25.1	(6,284)
2,077	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25.2	2,711
(4,044)	Net cash flows from operating Activities		(4,232)
9,936	Investing Activities	26	1,441
(3,673)	Financing Activities	27	(2,072)
2,219	Net increase or decrease in cash and cash equivalents		(4,863)
(5,848)	Cash and cash equivalents at the beginning of the reporting period		(3,629)
(3,629)	Cash and cash equivalents at the end of the reporting period	19	(8,492)

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

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

1.4 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

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

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

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

1.6 Charges to Revenue for Non-Current Assets

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

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

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

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

1.7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond, AA Corporate bonds within the iBoxx Sterling Corporates AA, over 15 years Index).

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve; and
- contributions paid to the Surrey Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.8 Events After the Balance Sheet Date

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

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

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

1.9 Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where

the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

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

1.10 Government Grants and Contributions

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

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

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

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

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

Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.11 Heritage Assets & Memorials

Heritage Assets

The Authority's Heritage Assets are held in the Authority's Museum. The Museum has a collection of heritage assets, which are held in support of the primary objective of the Authority's Museum, i.e. increasing the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Authority's collections of heritage assets are accounted for as follows.

The collection held at the museum, including: art, ceramics machinery, equipment are reported in the Balance Sheet at insurance valuation. The insurance values are regularly reviewed. All assets were deemed to have indeterminate lives and high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Acquisitions are usually made by donation and, if it is deemed appropriate, valuations will be sought from an independent external valuer.

The authority considers that obtaining full valuations for its artifacts would involve a disproportionate cost in comparison to the benefits to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital receipts. A thorough review of the collections held at the museum is being undertaken and it is estimated that the review will finish in late 2012, at which time the future method of delivering the museum service will be reviewed.

Memorials

The Council is responsible for a number of memorials in the Borough. These memorials, while having significant value to the community, have no resale value and are not used for any operational purpose. The memorials are reflected in the balance sheet at replacement cost and are not depreciated on the basis they have indeterminate lives and are fully maintained. Any impairment is recognized and measured in accordance with the Authority's general policies on impairment. It is extremely unlikely that the Authority will dispose of any memorials it is currently responsible. However, should this occur it will account for the disposal in accordance with statutory accounting requirements for capital receipts.

1.12 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

1.13 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and has no requirement to prepare group accounts.

1.14 Inventories and Long Term Contracts

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

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

1.15 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

1.16 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture. Elmbridge Borough Council has no jointly controlled operations.

1.17 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.18 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

1.19 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- other buildings, plant, furniture and equipment – straight-line allocation over the useful life of the property as estimated by the valuer, or the estimated useful life of the other assets
- vehicles – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

- infrastructure – no depreciation.

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. The requirement for componentisation for depreciation purposes is only applicable to enhancement, purchases, or revaluations after 1 April 2010. The Council is implementing componentisation as part of the 5 year revaluation cycle.

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.20 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for

the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

Any amounts payable to a PFI operator each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out
- for the period covered in these accounts the Council had no PFI arrangements.

The Council currently has no PFI or similar contract.

1.21 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

The Council does not believe it has any outstanding liability in respect of back pay arising from unequal pay claims and has made no provision for the costs of claims

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

1.22 Reserves

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

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

1.23 Revenue Expenditure Funded from Capital under Statute

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

1.24 Value Added Tax

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

1.25 Carbon Reduction Commitment Allowances

The authority is not currently required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase, which will last until 31 March 2014 and the requirements of the scheme may change. The Council will review annually any requirement to account for the CRC Energy Efficiency Scheme.

2. Restatement of the 2010/11 Statement of Accounts for compliance with FRS30 - Heritage Assets

In 2011/12 FRS 30 has been adopted into the Code of Practice on Local Authority Accounting in the UK. This requires Heritage Assets to be shown separately on the face of the Council's Balance Sheet. This is a change from the 2010/11 Code and has resulted in the reclassification and restatement of various balances and transactions, with the result that some amounts presented in the financial statements change from the figures presented in the Statement of Accounts for 2010/11.

The only effect on the Comprehensive Income and Expenditure Account is an adjustment of approximately £1,000 relating to depreciation. The affected lines are shown below and all other lines remain unchanged.

The inclusion of Heritage Assets has no impact on the Council Taxpayer, the adjustment for depreciation is reversed by the adjustment shown in Note 7.

	2010/11 Statement £'000	Adjustment for Depreciation £'000	Restated 2010/11 £'000
Cultural and Related Services - Net Expenditure	4,094	(1)	4,093
Cost of Services	10,306	(1)	10,305
(Surplus) or Deficit on Provision of Services	(11,264)	(1)	(11,265)
Total Comprehensive Income and Expenditure	(14,806)	(1)	(14,807)

The following shows the amounts presented in the Balance Sheets in the 2010/11 financial statements and the adjustments made to arrive at the amounts presented in the 2011/12 financial statements as a result of the inclusion of Heritage Assets.

	2009/10	Restatement Adjustments (FRS30)			2009/10
	Statement of Accounts £'000	Reclassified Community Assets £'000	Revaluations £'000	Depreciation Adjustment £'000	Restated Balances £'000
Property Plant & Equipment	61,675	(70)			61,605
Heritage Assets	-	70	1,197		1,267
Investment Properties	5,384				5,384
Intangible Assets	1,070				1,070
Long Term Investments	14,419				14,419
Long Term Debtors	38				38
Long Term Assets	82,586	-	1,197	-	83,783
Short Term Investments	13,712				13,712
Assets Held for Sale	2				2
Inventories	94				94
Short Term Debtors	6,283				6,283
Cash and Cash Equivalents	5,848				5,848
Current Assets	25,939	-	-	-	25,939
Short Term Creditors	(9,131)				(9,131)
Provision	-				-
Current Liabilities	(9,131)	-	-	-	(9,131)
Provisions	(590)				(590)
Long Term Borrowing	(1,500)				(1,500)
Other Long Term Liabilities	(41,646)				(41,646)
Capital Grants Receipts in Advance	(172)				(172)
Long Term Liabilities	(43,908)	-	-	-	(43,908)
Net Assets	55,486	-	1,197	-	56,683
Fixed Asset Restatement Account	-				-
Usable Reserves	29,396				29,396
Unusable Reserves	26,090		1,197		27,287
Total Reserves	55,486	-	1,197	-	56,683

	2010/11	Restatement Adjustments (FRS30)			2010/11
	Statement of Accounts	Reclassified Community Assets	Revaluations	Depreciation Adjustment	Restated Balances
	£'000	£'000	£'000	£'000	£'000
Property Plant & Equipment	63,643	(70)		1	63,574
Heritage Assets	-	70	1,197		1,267
Investment Properties	5,511				5,511
Intangible Assets	1,126				1,126
Long Term Investments	10,291				10,291
Long Term Debtors	27				27
Long Term Assets	80,598	-	1,197	1	81,796
Short Term Investments	26,523				26,523
Assets Held for Sale	-				-
Inventories	72				72
Short Term Debtors	4,214				4,214
Cash and Cash Equivalents	3,629				3,629
Current Assets	34,438	-	-	-	34,438
Short Term Creditors	(11,509)				(11,509)
Provision	-				-
Current Liabilities	(11,509)	-	-	-	(11,509)
Provisions	(1,250)				(1,250)
Long Term Borrowing	(1,500)				(1,500)
Other Long Term Liabilities	(30,293)				(30,293)
Capital Grants Receipts in Advance	(192)				(192)
Long Term Liabilities	(33,235)	-	-	-	(33,235)
Net Assets	70,292	-	1,197	1	71,490
Usable Reserves	30,633				30,633
Unusable Reserves	39,659		1,197	1	40,857
Total Reserves	70,292	-	1,197	1	71,490

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

For 2011/12 the only accounting policy change that needs to be reported relates to IFRS7 Financial Instruments: Disclosures (transfers of financial assets), which requires an entity to provide disclosure in respect of any transferred financial assets that are not derecognised, and for any continuing involvement in a transferred financial asset existing at the reporting date, irrespective of when the related transfer transaction occurred.

This change will be implemented in the 2012/13 Code of Practice, but it is not anticipated this will have a material impact on the Council's financial statements.

4. Critical Judgements in applying Accounting Policies

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £48,000 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £8,351,000. However, the assumptions interact in complex ways. During 2010/11 the Council's actuaries advised that the net pensions liability had decreased by £10,218,000 as a result of changes to pension increases introduced in the chancellor's budget statement in June 2010 linking increases to CPI and not RPI.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 28 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2012 as it provides information that is relevant to an understanding of the Authorities financial position but does not relate to conditions at that date:

On 17 April 2012, the Council completed the sale of the former Walton Pool site, generating a capital receipt of £4.4 million.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2010/11	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):				
Charges for depreciation and impairment of non-current assets	(2,086)			2,086
Revaluation losses on Property Plant and Equipment	(98)			98
Movements in the market value of Investment Properties	127			(127)
Amortisation of intangible assets	(260)			260
Revenue expenditure funded from capital under Statute	(974)			974
Amounts of non-current assets written off on disposal or Sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(198)			198
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):				
Statutory provision for the financing of capital investment	431			(431)
Capital expenditure charged against the General Fund	366			(366)
Adjustments primarily involving the Capital Grants Unapplied Account (note 24.3):				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	316		(316)	
Application of grants to capital financing transferred to the Capital Adjustment Account	716		488	(1,204)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,020	(1,020)		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,128		(1,128)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(7)	7		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(8)			8
Adjustments primarily involving the Deferred Capital Receipts Reserve (note 24.6):				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8	(8)		
Adjustments primarily involving the Pensions Reserve (note 24.5):				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	7,929			(7,929)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,394			(2,394)
Adjustments primarily involving the Collection Fund Adjustment Account (note 24.7):				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	110			(110)
Adjustment primarily involving the Accumulated Absences Account (note 24.8):				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(37)			37
Total Adjustments	9,749	107	172	(10,028)

2011/12	Usable Reserves			
	General	Capital	Capital	Unusable
	Fund	Receipts	Grants	Reserves
	Balance	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):				
Charges for depreciation and impairment of non-current assets	(2,774)			2,774
Revaluation losses on Property Plant and Equipment	(711)			711
Movements in the market value of Investment Properties	(517)			517
Amortisation of intangible assets	(272)			272
Revenue expenditure funded from capital under Statute	(1,458)			1,458
Amounts of non-current assets written off on disposal or Sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(398)			398
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):				
Statutory provision for the financing of capital investment	430			(430)
Capital expenditure charged against the General Fund	390			(390)
Adjustments primarily involving the Capital Grants Unapplied Account (note 24.3):				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,562		(1,562)	
Application of grants to capital financing transferred to the Capital Adjustment Account	494		785	(1,279)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	758	(758)		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,286		(1,286)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(3)	3		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(5)		5
Adjustments primarily involving the Deferred Capital Receipts Reserve (note 24.6):				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	339			(339)
Adjustments primarily involving the Pensions Reserve (note 24.5):				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,411)			2,411
Employer's pensions contributions and direct payments to pensioners payable in the year	2,333			(2,333)
Adjustments primarily involving the Collection Fund Adjustment Account (note 24.7):				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	87			(87)
Adjustment primarily involving the Accumulated Absences Account (note 24.8):				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15			(15)
Total Adjustments	(2,136)	526	(777)	2,387

8. Transfers to/from Earmarked Revenue Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2011/12.

	Note	Balance at 31 March 2010	Transfers In	Transfers Out	Balance at 31 March 2011	Transfers In	Transfers Out	Balance at 31 March 2012
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	a	725	0	0	725	125	(165)	685
Revenue Contingency	b	666	0	0	666	0	0	666
Insurance	c	200	0	(40)	160	6	0	166
Interest Equalisation	d	2,313	0	0	2,313	0	0	2,313
Maintenance of Graves	e	192	0	0	192	0	0	192
Insurance Premium Excess	f	101	0	0	101	0	0	101
Mill Road Depot	g	28	0	0	28	0	0	28
Sponsorship CCTV	h	17	0	0	17	0	0	17
North Weylands Industrial Estate	i	3	0	0	3	0	0	3
Centres for the Retired Donations	j	95	40	(30)	105	38	(30)	113
Relief Care Advice Line	k	8	0	0	8	0	0	8
Memorial Funds	l	24	0	0	24	0	0	24
Thames Ditton Dual Use Facility	m	11	2	0	13	2	0	15
Home Office Projects	n	486	28	(12)	502	0	0	502
Sponsorship of Trees	o	21	0	0	21	0	0	21
Planning Delivery Grant	p	374	0	0	374	0	0	374
Strategic Reserve (PDG)	q	737	0	0	737	0	0	737
Strategic Reserve (LABGI)	r	1,564	0	0	1,564	22	(12)	1,574
Hospital Discharge Scheme	s	20	0	0	20	0	0	20
Revenue Risk Reserve	t	500	409	0	909	0	0	909
Repairs and Maintenance	u	400	100	0	500	0	0	500
Smoke Free	v	21	0	0	21	0	(21)	0
Performance Reward (LPSA) - Revenue Grant	w	412	13	(87)	338	0	0	338
Elmbridge Civic Improvement Fund	x	966	0	(315)	651	0	(153)	498
Concessionary Fares Formula Grant	y	290	0	(290)	0	0	0	0
Habitats Regulations Assessment	z	33	16	0	49	0	0	49
SANGS - Thames Basin Heath	aa	158	43	0	201	54	(9)	246
Approved Carry Forward Requests	ab	0	768	0	768	884	(768)	884
Climate Change Area Based Grant	ac	0	34	0	34	0	(13)	21
Insurance - MMI	ad	0	100	0	100	0	(100)	0
Corporate Restructure - Initiatives	ae	0	1,000	0	1,000	0	(139)	861
Property & Land Related Income	af	0	448	0	448	210	0	658
Planning Tariffs including S106/S278 Agreements	ag	1,534	17	(34)	1,517	94	(80)	1,531
Future Housing Reforms	ah	0	450	0	450	0	0	450
New Homes Bonus Reserve	ai	0	0	0	0	554	0	554
Council Tax Freeze Grant Reserve	aj	0	0	0	0	2,710	0	2,710
Total Earmarked Revenue Reserves		11,899	3,468	(808)	14,559	4,699	(1,490)	17,768

Notes to Earmarked Revenue Reserves

a. Capital Expenditure	This reserve was established to facilitate the financing of capital expenditure from revenue resources. The balance held represents the overall sum available for the direct revenue financing of specific projects, which was unused at 31 March 2012.
b. Revenue Contingency	The Council's policy is to provide for revenue contingencies by way of a reserve set up for the purpose, it may also be used to fund the costs associated with restructure or reorganisation of the council.
c. Insurance	The Insurance Reserve covers likely future payments relating to agreed excesses on the Council's insurance policies.
d. Interest Equalisation	To balance out year on year fluctuations in the external interest earned by the investment of surplus funds.
e. Maintenance of Graves	Funds received to pay for the annual maintenance of graves.
f. Insurance Premium excess	A reserve established to provide for the premium excess payments the Council makes each year.
g. Mill Road Depot	Money held in lieu of dilapidation works deposited by an ex-occupier of Mill Road Depot.
h. Sponsorship CCTV	Funding received to support CCTV schemes.
i. North Weylands Industrial Estate	Deposits held for occupation of the Industrial Estate.
j. Centres for the Retired Donations	Donations made to support the ongoing provision and maintenance of day centre services.
k. Relief Care Advice Line	Money held for the future support of the Relief Care Advice Line.
l. Memorial Funds	Money provided for specific purposes as a memorial to an individual.
m. Thames Ditton Dual Use Facility	A deposit held for the potential future maintenance of the Dual Use Facility.
n. Home Office Projects	Funds provided by the Home Office related to Crime and Disorder initiatives.
o. Sponsorship of Trees	Money donated to provide for the future planting of trees.
p. Planning Delivery Grant	A grant received by local planning Authorities from Government.
q. Strategic Reserve (PDG)	A proportion of the grant received by local planning authorities from Government, being held to provide short/medium term flexibility in support of the Council's corporate revenue budget.
r. Strategic Reserve (LABGI)	A grant received by local authorities from Government, resulting from an increase in rateable values, being held to provide short / medium term flexibility in support of the Council's corporate revenue budget.
s. Hospital Discharge Scheme	To assist with provision of facilities to enable people to leave hospital.
t. Revenue Risk Reserve	A reserve established to manage the revenue budget risks facing the Council. This now includes the Concessionary Fares Formula Grant reserve.
u. Repairs and Maintenance	A reserve established to deal with emergency repairs and maintenance and dilapidation costs to council owned property.
v. Smoke Free	Grant money received for the promotion and education relating to "Smoke Free" legislation. The reserve was fully utilised during 2011/12.

w. 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.
x. Elmbridge Civic Improvement Fund	Money set aside to fund the improvement, enhancement and regeneration of the borough.
y. Concessionary Fares Formula Grant	Established to protect the Council 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. The reserve was transferred to the Revenue Risk Reserve in 2010/11.
z. 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.
aa. SANGS Thames Heath Basin	Suitable Alternative Natural Green Space (SANGS) is a contribution to the Council to mitigate the harm of developments to the conservation objectives of the nearby Thames Basin Heath Special Protection Area.
ab. Approved Carry Forward Request	To finance items budgeted for in the year for one-off payments, for which expenditure is incurred in the following financial year.
ac. Climate Change Area Based Grant	As part of the area based grant the Council received a grant to reflect the burdens on the Council for climate change.
ad. Insurance MMI	To meet any liability due in the event of the run-off of Municipal Mutual Insurance proving to be insolvent. The Council was notified in April 2012 of a decision in a court case which will make a solvent run off of MMI unlikely, as a result the Council has made a provision to cover the full cost, as currently identified, of its maximum liability. The earmarked reserve has been transferred to the Income and Expenditure Account in order to mitigate the impact of the provision on the Council Tax payer in accordance with the purpose of holding the reserve.
ae. Corporate Restructure Initiatives	To implement corporate initiatives, including the requirement to meet personnel related staffing costs arising from reviews of the Council's structure which would result in ongoing revenue savings to the Council.
af. Property Related Income	A reserve established for Land Charges and Building Control surplus income and any liabilities that may arise as a result of changes in legislation which may be used to fund deficits arising in future years in accordance with legislative requirements.
ag. Planning Tariffs including Section 106/278 Agreements	A reserve established from receipts in relation to planning applications. The receipts have specific uses defined in the agreement.
ah. Future Housing Reforms	A provision of £300,000 established to cover any additional costs or loss of income that may be incurred if the Housing Benefit Service, currently provided by the Council transfers to Central Government, and £150,000 to cover any increased demand on the Council's Homelessness function as a result of the Government review of Welfare Reforms.
ai. New Homes Bonus	A reserve established from New Homes Bonus funding, received to provide incentives and rewards for Councils and Communities to build homes in their area.
aj. Council Tax Freeze Grant	A reserve established to help with the effects of the reductions in government funding relating to the Council Tax Freeze Grant as it is phased out.

9. Other Operating Expenditure

2010/11		2011/12
£'000		£'000
48	Parish Council Precepts	48
7	Payment to the Government Housing Capital Receipts Pool	3
170	Gains/losses on the disposal of non-current assets	206
225	Total	257

10. Financing and Investment Income and Expenditure

2010/11		2011/12
£'000		£'000
99	Interest payable and similar charges	99
562	Pensions interest costs and expected return on pension assets	625
(1,227)	Interest receivable and similar income	(1,285)
(275)	Income and expenditure in relation to investment properties and changes in their fair value	389
(841)	Total	(172)

11. Taxation and Non Specific Grant Income

2010/11		2011/12
£'000		£'000
(12,481)	Council tax income	(12,561)
(5,638)	Non domestic rates	(3,961)
(1,068)	Non-ringfenced government grants	(2,318)
(1,032)	Capital grants and contributions	(2,056)
(20,219)	Total	(20,896)

12. Property, Plant and Equipment

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

Comparative Movements in 2010/11	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2010	67,059	11,271	437	410	2,046	102	81,325
Additions	153	1,247	-	-	-	7	1,407
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,694	-	-	-	-	-	2,694
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(98)	-	-	-	-	-	(98)
Derecognition - disposals	(350)	(268)	-	-	-	-	(618)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	94	-	-	-	-	(94)	-
At 31 March 2011	69,552	12,250	437	410	2,046	15	84,710
Accumulated Depreciation and Impairment							
At 1 April 2010	(15,320)	(3,688)	-	(9)	(703)	-	(19,720)
Depreciation charge	(763)	(1,289)	-	(7)	-	-	(2,059)
Depreciation written out to the Revaluation Reserve	251	-	-	-	-	-	251
Impairment (losses)/reversals recognised in the Revaluation Reserve	(3)	-	-	-	-	-	(3)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(27)	-	-	-	-	-	(27)
Derecognition - disposals	166	256	-	-	-	-	422
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2011	(15,696)	(4,721)	-	(16)	(703)	-	(21,136)
Net Book Value							
At 31 March 2011	53,856	7,529	437	394	1,343	15	63,574
At 31 March 2010	51,739	7,583	437	401	1,343	102	61,605

Movements in 2011/12	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2011	69,552	12,250	437	410	2,046	15	84,710
Additions	423	675	-	-	-	106	1,204
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(3,277)	-	-	-	1,000	-	(2,277)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(711)	-	-	-	-	-	(711)
Derecognition - disposals	-	(20)	-	-	-	-	(20)
Assets reclassified (to)/from Held for Sale	-	-	-	-	(3,000)	-	(3,000)
Other movements in cost or valuation	-	5	-	-	-	(15)	(10)
At 31 March 2012	65,987	12,910	437	410	46	106	79,896
Accumulated Depreciation and Impairment							
At 1 April 2011	(15,696)	(4,721)	-	(16)	(703)	-	(21,136)
Depreciation charge	(971)	(1,340)	-	(5)	-	-	(2,316)
Depreciation written out to the Revaluation Reserve	8,132	-	-	-	700	-	8,832
Impairment (losses)/reversals recognised in the Revaluation Reserve	(1,800)	-	-	-	-	-	(1,800)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(21)	-	(437)	-	-	-	(458)
Derecognition - disposals	-	20	-	-	-	-	20
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2012	(10,356)	(6,041)	(437)	(21)	(3)	-	(16,858)
Net Book Value							
At 31 March 2012	55,631	6,869	-	389	43	106	63,038
At 31 March 2011	53,856	7,529	437	394	1,343	15	63,574

Depreciation

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

- Land and Buildings – 5-50 years
- Vehicles – 33% or 55% of carrying amount
- Plant, Furniture and Equipment – 5-30 years

In 2011/12 the Council changed the remaining useful lives assigned to the following properties:

- Walton Playhouse increased from 40 to 50 years (reduced annual depreciation by £760)

- Car Parks decreased from 40 to 10 years (increased annual depreciation by £37,500)
- Hurst Pool and Xcel Leisure Centre – as a result of componentisation of the two assets the depreciation has changed as follows:
 - Hurst Pool: 40 years to 6 – 36 years
 - Xcel Leisure Centre: 50 years to 10 – 45 years

The componentisation has valued separate elements of the building and assigned useful lives to each element. (The effect is to increase the annual depreciation charge by £46,369 for Hurst Pool and £154,886 for Xcel).

These changes have had the overall financial effect of increasing the total annual depreciation for buildings from £713,043 to £971,205, however by regulation depreciation has no effect on taxation.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally, except for Hurst Pool and Xcel Leisure Centre, which were undertaken by P J S Turner BSc FRICS IRRV Rating Diploma RICS Registered Valuer and E Hards BSc (Hons) PGDip of Stiles Harold Williams Limited. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

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

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	-	12,910	437	410	-	106	13,863
Valued at fair value as at:	-	-	-	-	-	-	-
31 March 2012	25,527	-	-	-	-	-	25,527
31 March 2011	5,451	-	-	-	-	-	5,451
31 March 2010	1,740	-	-	-	-	-	1,740
31 March 2009	11,569	-	-	-	46	-	11,615
31 March 2008	21,700	-	-	-	-	-	21,700
Total Cost or Valuation	65,987	12,910	437	410	46	106	79,896

13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority.

Cost / Valuation	Museum Artefacts & Civic Regalia £'000	War Memorials £'000	Heritage Marker £'000	Xcel Art £'000	Total £'000
At 1 April 10	520	683	64	-	1,267
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
At 31 March 11	520	683	64	-	1,267
Cost / Valuation					
At 1 April 11	520	683	64	-	1,267
Additions	-	-	-	22	22
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
At 31 March 12	520	683	64	22	1,289

Museum Artefacts

The collection held at the museum, including: art, ceramics, machinery and equipment are reported in the Balance Sheet at insurance valuation. The insurance values are regularly reviewed. All assets were deemed to have indeterminate lives and high residual value; hence the Authority does not consider it appropriate to charge depreciation.

War Memorials

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

14. Investment Properties

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

	2010/11	2011/12
	£'000	£'000
Rental income from investment property	212	239
Direct operating expenses arising from investment property	(64)	(111)
Net gain/(loss)	148	128

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year.

	2010/11	2011/12
	£'000	£'000
Balance at start of the year	5,384	5,511
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	(295)
Net gains (losses) from fair value adjustments	127	(517)
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	-	-
Other changes	-	-
Balance at end of the year	5,511	4,699

15. Intangible Assets

The Council accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 10 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £271,957 charged to revenue in 2011/12 was charged to the Information Systems Team and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2010/11 £'000	2011/12 £'000
Balance at start of year:		
Gross carrying amounts	2,626	2,901
Accumulated amortisation	(1,556)	(1,775)
Net carrying amount at start of year	1,070	1,126
Additions:		
Purchases	316	281
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(13)	-
Amortisation for the period	(247)	(272)
Net carrying amount at end of year	1,126	1,135
Comprising:		
Gross carrying amounts	2,901	3,182
Accumulated amortisation	(1,775)	(2,047)
	1,126	1,135

16. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Investments				
Loans and receivables*	10,291	11,209	26,523	27,223
Total investments	10,291	11,209	26,523	27,223
Debtors				
Loans and receivables	27	361		
Financial assets carried at contract amounts			7,383	9,639
Total debtors	27	361	7,383	9,639
Borrowings				
Financial liabilities at amortised cost	1,500	1,500	-	-
Total borrowings	1,500	1,500	-	-
Other Long Term Liabilities				
Finance lease liabilities	1,794	1,363		
Total other long term liabilities	1,794	1,363		
Creditors				
Financial liabilities at amortised cost	192	138		
Financial liabilities at carried contract amounts			7,620	7,769
Total creditors	192	138	7,620	7,769

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

Income, Expense, Gains and Losses

	2010/11			2011/12		
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000
Interest expense	99	-	99	99	-	99
Impairment losses	-	76	76	-	221	221
Total expense in Surplus or Deficit on the Provision of Services	99	76	175	99	221	320
Interest income	-	(1,227)	(1,227)	-	(1,285)	(1,285)
Total income in Surplus or Deficit on the Provision of Services	-	(1,227)	(1,227)	-	(1,285)	(1,285)
Net (gain)/loss for the year	99	(1,151)	(1,052)	99	(1,064)	(965)

17. Inventories

The value of inventories held at 31 March 2012 was £83,001 (31 March 2011 £72,000).

18. Debtors (Short and Long Term Debtors)

2010/11 £'000	2011/12 £'000
Long Term Debtors	
21 Sale of (former) Council Houses	17
6 House Purchases	5
- Mortgages (Catalyst Housing)	339
27	361

2010/11 £'000	2011/12 £'000
Debtors	
252 Payments in Advance	112
656 Central Government Bodies	409
168 Other Local Authorities	177
4,465 Sundry Debtors	4,055
5,541	4,753

2010/11 £'000	2011/12 £'000
Impairments *	
- Central Government Bodies	-
(88) Other Local Authorities	-
(1,239) Sundry Debtors	(1,554)
(1,327)	(1,554)

* Provisions for Doubtful Debts

2010/11 £'000	2011/12 £'000
Debtors after Impairments	
252 Payments in Advance	112
656 Central Government Bodies	409
80 Other Local Authorities	177
3,226 Sundry Debtors	2,501
4,214	3,199

19. Cash and Cash Equivalents

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

2010/11 £'000	2011/12 £'000
2 Cash held by the Authority	1
927 Bank current accounts	(18)
2,700 Short-term deposits with banks and building societies	8,509
3,629 Total Cash and Cash Equivalents	8,492

20. Assets held for sale

	2010/11 £'000	2011/12 £'000
Balance Outstanding at start of the year	2	-
Assets newly classified as held for sale:		
Property, Plant and Equipment	-	2,897
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Assets sold	(2)	-
Transfers from non-current to current	-	-
Other movements	-	-
Balance outstanding at year-end	-	2,897

These are assets that are available for immediate sale in their present condition and are actively being marketed at a reasonable price in relation to their current value, and where it is expected that the sale will be completed within one year of the date of classification, and are shown within current assets.

At the 31 March 2012 the Council had exchanged contracts for the sale of the former Walton Pool site and the fair value of the site less cost of disposal has been transferred from Property Plant and Equipment to Current Assets – Assets Held for Sale. On the 17 April 2012 the sale was completed and the Council received a capital receipt of £4.4 million.

21 Creditors

21.1 Short Term Creditors

2010/11 £'000		2011/12 £'000
1,367	Central Government Departments	3,051
5,093	Other Local Authorities	6,075
4,462	Other entities and individuals	4,443
587	Receipts in Advance	586
11,509		14,155

The main reason for the increase in central government department creditors is as a result of owing approximately £2,674,000 at the end of 2011/12 and £849,000 at the end of 2010/11 to the business rate pool. The main reason for the increase in amounts owing to other Local Authorities is the increase in the amounts owed to Surrey County Council and the Police for their proportions of the Collection Fund surplus at the end of 2010/11 the amount owed was £2,778,000 at the end of 2011/12 this had increased by £678,000 to £3,456,000.

21.2 Other Long Term Liabilities

2010/11 £'000		2011/12 £'000
1,794	Finance lease liability	1,363
28,499	Liability relating to defined benefit pension scheme	36,315
30,293	Net cash flows from Operating Activities	37,678

22. Impairments

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

23. Usable Reserves

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

Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the Comprehensive Income & Expenditure Statement as entitlement allows (Note 33).

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

	2010/11	2011/12
	£'000	£'000
General Fund	4,414	4,000
Earmarked Reserves	14,559	17,768
Usable Capital Receipts Reserve	9,364	8,838
Capital Grants Unapplied	2,296	3,073
Total Usable Reserves	30,633	33,679

24. Unusable Reserves

24.1 Analysis of Unusable Reserves

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Revaluation reserve	6,906	9,670	14,194
Capital adjustment account	59,772	59,589	57,075
Pensions reserve	(39,422)	(28,499)	(36,315)
Deferred capital receipts reserve	21	13	347
Collection Fund adjustment account	154	264	351
Accumulated absences account	(144)	(180)	(165)
Total Unusable Reserves	27,287	40,857	35,487

24.2 Revaluation Reserve

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

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

2010/11		2011/12
£'000		£'000
6,906	Balance at 1 April	9,670
2,945	Upward revaluation of assets	6,757
(3)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,002)
2,942	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	4,755
(178)	Difference between fair value depreciation and historical cost depreciation	(231)
-	Accumulated gains on assets sold or scrapped	-
(178)	Amount written off to the Capital Adjustment Account	(231)
9,670	Balance at 31 March	14,194

24.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £'000		2011/12 £'000
59,772	Balance at 1 April	59,589
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,086)	Charges for depreciation and impairment of non current assets	(2,774)
(98)	Revaluation losses on Property, Plant and Equipment	(711)
(260)	Amortisation of intangible assets	(272)
(974)	Revenue expenditure funded from capital under statute	(1,458)
(198)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(398)
56,156		53,976
177	Adjusting amounts written out of the Revaluation Reserve	231
56,333	Net written out amount of the cost of non-current assets consumed in the year	54,207
	Capital financing applied in the year:	
1,128	Use of the Capital Receipts Reserve to finance new capital expenditure	1,286
716	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	494
488	Application of grants to capital financing from the Capital Grants Unapplied Account	785
431	Statutory provision for the financing of capital investment charged against the General Fund	430
366	Capital expenditure charged against the General Fund Balance	390
3,129		3,385
127	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(517)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
59,589	Balance at 31 March	57,075

24.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

There was no movement on the account in 2010/11 or 2011/12, and the opening and closing balances for both years were zero.

24.5 Pensions Reserve

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

2010/11	2011/12
£'000	£'000
(39,422) Balance at 1 April	(28,499)
600 Actuarial gains or losses on pensions assets and liabilities	(7,738)
7,929 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,411)
2,394 Employer's pensions contributions and direct payments to pensioners payable in the year	2,333
(28,499) Balance at 31 March	(36,315)

24.6 Deferred Capital Receipts Reserve

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

2010/11	2011/12
£'000	£'000
21 Balance at 1 April	13
- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	339
(8) Transfer to the Capital Receipts Reserve upon receipt of cash	(5)
13 Balance at 31 March	347

During 2011/12 the Council provided Catalyst Housing Limited with £339,000 to give mortgages to people to purchase property from the private sector. These funds are secured by a charge against the property and will be repaid to the council when the loan is redeemed with Catalyst Housing Limited.

24.7 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11	2011/12
£'000	£'000
154 Balance at 1 April	264
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	87
264 Balance at 31 March	351

24.8 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing (charging) for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised so that it has no impact on the Council Tax payer.

2010/11 £'000	2011/12 £'000
(144) Balance at 1 April	(180)
144 Settlement or cancellation of accrual made at the end of the preceding year	180
(180) Amounts accrued at the end of the current year	<u>(165)</u>
(36) Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15
(180) Balance at 31 March	(165)

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £'000	2011/12 £'000
(1,347) Interest received	(1,352)
99 Interest paid	99
(1,248) Net cash flows from operating activities	(1,253)

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

2010/11 £'000	2011/12 £'000
(2,059) Depreciation	(2,316)
(138) Impairment and downward revaluations	(1,169)
(247) Amortisation	(272)
(82) Impairment for provision for bad debts	(227)
1,539 Creditors	288
(2,463) Debtors	(513)
(22) Inventories	11
10,323 Pensions liability	(78)
(198) Carrying amount of non-current assets sold	(295)
(1,509) Other non-cash items charged	<u>(1,713)</u>
5,144 Adjustments for non-cash movements	(6,284)

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

2010/11 £'000		2011/12 £'000
20	Proceeds from sale of property, plant & equipment, investment properties & intangibles	192
735	Proceeds from sale of former council houses	353
290	Proceeds from non-sale transactions	110
1,032	Capital grants receivable	2,056
2,077	Adjustments for items which are investing and financing activities	2,711

26. Cash Flow Statement – Investing Activities

2010/11 £'000		2011/12 £'000
1,879	Purchase of property, plant and equipment, investment property and intangible assets	1,066
8,800	Purchase of short-term and long-term investments	1,700
982	Other payments for investing activities	1,797
(31)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(300)
	- Proceeds from short-term and long-term investments	-
(1,694)	Other receipts from investing activities	(2,822)
9,936	Net cash flows from investing activities	1,441

27. Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
	- Cash receipts of short- and long-term borrowing	-
(4,104)	Other receipts from financing activities	(2,502)
431	Cash payments for the reduction of the outstanding liabilities relating to finance leases	430
	- Repayments of short- and long-term borrowing	-
	- Other payments for financing activities	-
(3,673)	Net cash flows from financing activities	(2,072)

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation (budget monitoring) are taken by the Council's Cabinet on the basis of budget reports analysed by portfolio holder responsibility. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- They exclude the Adjustments between Accounting Basis and Funding Basis (Movement in Reserves Statement)
- They include the transfer to Earmarked Reserves (Movement in Reserves Statement)

2010/11 Portfolio	Original Budget	Actual	Variance to Original Budget	
	£'000	£'000	£'000	%
Community Development	481	516	35	7
Corporate Development	2,291	2,110	(181)	(8)
Environment and Economy	5,577	5,541	(36)	(1)
Highways and Transport	(468)	(729)	(261)	56
Housing	2,024	1,629	(395)	(20)
Leisure and Culture	4,362	4,375	13	-
Licensing Committee	261	245	(16)	(6)
Regulatory Affairs	568	410	(158)	(28)
Resources	2,623	2,007	(616)	(23)
Social Planning Committee	2,977	2,534	(443)	(15)
	1,702	1,226	(476)	(28)
	22,398	19,864	(2,534)	(11)
Asset Rentals	(1,626)	(1,291)	335	21
Interest on Balances	(1,243)	(1,210)	33	3
Contribution From Interest Equalisation Reserve To Earmarked Funds	(778)	-	778	100
	(63)	2,985	3,048	-
Contribution (From)/To Pension Reserve (IAS19 Adjustment)	-	(271)	(271)	-
Capital Financing	307	62	(245)	(80)
	18,995	20,139	1,144	6

2010/11 Subjective Analysis	Directorate Analysis £'000	Corporate Amounts £'000	Total £'000
Fees & Charges	(22,661)	-	(22,661)
Interest and Investment Income	(1,312)	(127)	(1,439)
Income from Council Tax	-	(19,153)	(19,153)
Govt Grants & Contributions	(42,773)	(1,032)	(43,805)
Total Income	(66,746)	(20,312)	(87,058)
Employee Expenses	19,182	(10,286)	8,896
Other Service Expenses	59,959	-	59,959
Support Service Recharges	7,645	-	7,645
Depreciation, Amortisation and Impairment	-	2,621	2,621
Interest Payments	99	-	99
Precepts & Levies	-	48	48
Payments to Housing Capital Receipts Pool	-	7	7
Gain or Loss on Disposal of Fixed Assets	-	(822)	(822)
Transfer to Earmarked Reserves	-	(2,660)	(2,660)
Total Expenditure	86,885	(11,092)	75,793
Surplus or Deficit on Provision of Services	20,139	(31,404)	(11,265)

2011/12 Portfolio	Original Budget £'000	Actual £'000	Variance to Original Budget £'000	%
Community Development	386	383	(3)	(1)
Corporate Development	2,149	1,944	(205)	(10)
Environment and Economy	5,648	5,333	(315)	(6)
Highways and Transport	(517)	(773)	(256)	-
Housing	1,954	1,573	(381)	(19)
Leisure and Culture	4,285	4,136	(149)	(3)
Licensing Committee	247	211	(36)	(15)
Regulatory Affairs	570	422	(148)	(26)
Resources	2,663	2,068	(595)	(22)
Social	2,417	2,195	(222)	(9)
Planning Committee	1,439	1,340	(99)	(7)
	21,241	18,832	(2,409)	(11)
Asset Rentals	(1,535)	(1,626)	(91)	(6)
Interest on Balances	(1,055)	(1,269)	(214)	(20)
Contribution From Interest Equalisation Reserve	(720)	-	720	100
New Homes Bonus	(453)	(554)	(101)	(22)
Council Tax Freeze Grant	(312)	(312)	-	-
Provision for Reduction in External Funding	197	-	(197)	100
Transfer to New Homes Bonus Reserve	453	554	101	(22)
To Earmarked Funds	(39)	2,566	2,605	6,679
Capital Financing	62	62	-	-
	17,839	18,253	414	2

2011/12	Directorate	Corporate	
Subjective Analysis	Analysis	Amounts	Total
	£'000	£'000	£'000
Fees & Charges	(12,825)	-	(12,825)
Interest and Investment Income	(2,041)	517	(1,524)
Income from Council Tax	-	(17,974)	(17,974)
Govt Grants & Contributions	(44,865)	(2,056)	(46,921)
Total Income	(59,731)	(19,513)	(79,244)
Employee Expenses	9,538	63	9,601
Other Service Expenses	61,335	-	61,335
Support Service Recharges	7,012	-	7,012
Depreciation, Amortisation and Impairment	-	4,395	4,395
Interest Payments	99	-	99
Precepts & Levies	-	48	48
Payments to Housing Capital Receipts Pool	-	3	3
Gain or Loss on Disposal of Fixed Assets	-	(699)	(699)
Transfer to Earmarked Reserves	-	(3,209)	(3,209)
Total Expenditure	77,984	601	78,585
Surplus or Deficit on Provision of Services	18,253	(18,912)	(659)

Reconciliation to Cost of Provision of Service (Comprehensive Income and Expenditure Statement)

	2010/11	2011/12
	£'000	£'000
Net Expenditure	20,139	18,253
Funded from Council Tax	(18,995)	(17,839)
Transfer to Earmarked Reserves (Movement on Reserves Statement)	(2,660)	(3,209)
Adjustment between Accounting Basis and Funding Basis (Movement on Reserves Statement)	(9,749)	2,136
Surplus on the Provision of Services	(11,265)	(659)

29. Agency Services

The Council provides on-street car parking management, highway grass cutting and highway weed treatment services to Surrey County Council (SCC).

	On-Street Car Parking*		Highways Grass Cutting		Highways Weed Control	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure incurred in providing services to SCC	100	522	232	204	38	40
Income received relating to services (Car Parking only)	-	(561)	-	-	-	-
Management fee payable by SCC	(100)	-	(184)	(194)	(40)	(40)
Transfer of surplus share to SCC (Car Parking only)	-	25	-	-	-	-
Net (surplus)/deficit arising on the agency agreements	-	(14)	48	10	(2)	-

* The agency arrangement with SCC for Car parking was revised for 2011/12 whereby 65% of any surplus made on the account is transferred to SCC. There is no longer any management fee payable.

30. Members' Allowances

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

Payments to all Members of the Council in 2011/12 amounted to £371,004 (2010/11 - £372,386). The allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances. A full list of the Members' allowances and expenses will be published in the December 2012 Elmbridge Review.

31. Officers' Emoluments

The Accounts and Audit Regulations 1996 introduced a specific requirement for the disclosure of officers' emoluments. This information must be in a form, which shows the number of employees whose total remuneration for the year fell in each band of a scale in multiples of £5,000, starting at £50,000. 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:

Number of Employees 2010/11	Remuneration Band	Number of Employees 2011/12
14	£50,000 - £54,999	15
10	£55,000 - £59,999	11
3	£60,000 - £64,999	2
3	£65,000 - £69,999	3
2	£70,000 - £74,999	1
1	£75,000 - £79,999	1
6	£80,000 - £84,999	6
-	£85,000 - £89,999	-
-	£90,000 - £94,999	1
-	£95,000 - £99,999	-
-	£100,000 - £104,999	-
-	£105,000 - £109,999	1
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
2	£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	-
1	£155,000 - £159,999	1
-	£160,000 - £164,999	-

The employee shown in band £105,000 - £109,999 undertakes an additional role for Surrey County Council. Approximately £57,000 of the cost to the Council is reimbursed by Surrey County Council.

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

**Disclosure of remuneration for senior employees
2011/12 Elmbridge Borough Council**

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 2011/12
Chief Executive (Head of Paid Service)		122,982.00	7,566.99	0.00	9,129.73	0.00	0.00	139,678.72	18,929.57	158,608.29
Strategic Director - Resources (S151 Officer)		101,397.00	5,000.00	0.00	7,731.26	0.00	1,113.48	115,241.74	14,863.95	130,105.69
Strategic Director - Services	1	84,498.00	0.00	0.00	7,169.89	0.00	1,886.75	93,554.64	0.00	93,554.64
Head of Legal Services (Monitoring Officer)		65,811.00	0.00	0.00	5,915.15	0.00	1,113.48	72,839.63	9,704.07	82,543.70
		374,688.00	12,566.99	0.00	29,946.03	0.00	4,113.71	421,314.73	43,497.59	464,812.32

2010/11 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 2010/11
Chief Executive (Head of Paid Service)		122,982.00	7,229.48	0.00	8,853.15	0.00	0.00	139,064.63	18,812.54	157,877.17
Strategic Director - Resources (S151 Officer)		101,397.00	4,350.00	0.00	7,122.95	0.00	1,085.97	113,955.92	14,859.99	128,815.91
Strategic Director - Services		101,397.00	0.00	0.00	7,228.64	0.00	1,557.21	110,182.85	14,928.30	125,111.15
Head of Legal Services (Monitoring Officer)	2	54,507.66	0.00	0.00	4,185.88	0.00	1,085.97	59,779.51	7,910.82	67,690.33
		380,283.66	11,579.48	0.00	27,390.62	0.00	3,729.15	422,982.91	56,511.65	479,494.56

Note 1 The Strategic Director - Services hours were reduced from 1 April 2011 to 30 hours per week. The equivalent full time Salary would have been £101,397. The director also stopped contributing to the pension fund and no contributions were then required by the Council to the Pension scheme.

Note 2 The Head of Legal Services worked a four day week until 31 Dec 2010, then a five day week from 1 Jan 2011. The annualised salary is £65,811

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

32. External Audit Costs

In 2011/12 Elmbridge Borough Council incurred the following fees relating to external audit and inspection.

2010/11		2011/12
£	Audit/Inspection Area	£
88,000	Audit	88,000
30,000	Use of Resources / VFM Conclusion	24,100
118,000	Total Audit and Use of Resources / VFM Conclusion	112,100
25,800	Grant Certification	23,319
-	- Annual Inspection Work	-
143,800	Total Audit and Inspection Fee	135,419
-	- Voluntary Improvement Work	-
143,800	Total	135,419

33. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12.

	2010/11	2011/12
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Government Formula Grant	(819)	(1,224)
Capital Grants	(1,032)	(2,056)
Contribution From NDR Pool	(5,638)	(3,961)
Collection Fund Surplus Account	(215)	(227)
Precept on Collection Fund	(12,481)	(12,561)
Council Tax Freeze Grant	-	(313)
New Homes Bonus	-	(554)
Other Grants	(34)	-
Total	(20,219)	(20,896)
Credited to Services		
Housing and Council Tax Benefit Subsidy	(42,237)	(43,703)
Concessionary Bus Fares	(119)	-
NDR Cost of Collection	(190)	(187)
Other Grants	(193)	(109)
Total	(42,739)	(43,999)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the condition is not met. The balances at the year-end are as follows:

2010/11		2011/12
£'000		£'000
	Capital Grant Receipts in Advance	
122	Section 106 Contributions to Affordable Housing	-
70	Section 106 Contributions to provide Childrens Play Spaces	122
-	- Section 106 Contributions to Other Projects	16
192	Total	138

34. Related Parties

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

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

2010/11		2011/12
£		£
13,066,651	Paragon Community Housing Group	13,717,533
666,061	A2 Housing	737,868
279,133	Castle Wildish	213,281
143,071	Walton, Weybridge & Hersham CAB	116,120
33,230	Claygate Recreation Ground Trust	115,230
82,817	Esher & District CAB	83,517
33,150	Voluntary Action Elmbridge	25,361
22,746	CHEER	22,680
20,500	Elmbridge Rentstart	20,500
20,270	Riverhouse Barn	20,500
15,099	Local Government Association	14,648
14,809	South East Employers	13,954
8,732	Relate - West Surrey	10,308
6,985	Oxshott Heath Conservators	6,570
6,076	St Nicholas Church	5,900
3,200	Molesey Dittons Household Services	3,000
2,100	Mediation North Surrey	2,100
-	Elmbridge Sports Council	2,000
2,000	Walton Business Group	2,000
1,950	Brooklands Museum Trust Ltd	1,750
-	Lower Mole Countryside Management Project	1,565
-	The Counselling Partnership	1,500
45	Vera Fletcher Hall Association	1,240
-	Hersham In Bloom	1,048
-	Hersham Youth Trust	800
-	Elmbridge Multifaith Forum	750
100	Family Line Surrey	500
-	Molesey Residents Association	500
220	Claygate Village Youth Club Association	225
-	Long Ditton Village Hall	175
3,000	Home Start Elmbridge	140
104	Friends of Weybridge Day Centre	84
5,500	Claygate Shopping Experience	-
6,985	Walton Charity	-

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

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

The appropriate analysis has been undertaken with regard to related party transactions for the year ended 31 March 2012, 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.

Trust Funds

The Council administers four Trust Funds, the values of which at 31 March are as follows:

2010/11		2011/12
£		£
424,885	King Georges Hall	503,633
72,330	Mayor of Elmbridge Trust	64,956
69,249	Miss Harrison Bequest	74,018
96	Cyril Harvey Trust	96
566,560	Total	642,703

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

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

Grants from Government departments are disclosed in Note 33.

35. Capital Expenditure and Capital Financing

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

	2010/11	2011/12
	£'000	£'000
Opening Capital Financing Requirement	2,654	2,223
Capital investment		
Property, Plant and Equipment	1,407	1,216
Investment Properties	-	-
Intangible Assets	317	281
Revenue Expenditure Funded from Capital under Statute	974	1,458
Sources of finance		
Capital Receipts	(1,128)	(1,286)
Government Grants and Other Contributions	(1,204)	(1,279)
Sums set aside from revenue:		
Direct revenue contributions	(366)	(390)
MRP/loans fund principal	(431)	(430)
Closing Capital Financing Requirement	2,223	1,793
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	(431)	(430)
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
Increase/(decrease) in Capital Financing Requirement	(431)	(430)

36. Leases

The Council as Lessee

Finance Leases

The Council has acquired a number of waste disposal vehicles under a finance lease. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2010/11	2011/12
	£'000	£'000
Vehicles	2,224	1,794

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

	2010/11	2011/12
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	431	431
- non-current	1,793	1,363
Finance costs payable in future years	192	155
Minimum lease payments	2,416	1,949

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2010/11	2011/12	2010/11	2011/12
	£000	£000	£000	£000
Not later than one year	467	468	431	431
Later than one year and not later than five years	1,871	1,481	1,722	1,363
Later than five years	78	0	71	0
	2,416	1,949	2,224	1,794

Operating Leases

The Council entered into an operating lease for eleven Automatic Public Conveniences. The Council also leases the site of the Elmbridge Museum from Surrey County Council.

	2010/11	2011/12
	£000	£000
Not later than one year	127	130
Later than one year and not later than five years	508	520
Later than five years	243	130
	878	780

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/11	2011/12
	£000	£000
Minimum lease payments	143	142

The Council as Lessor

Operating Leases

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

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

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

	2010/11 £'000	2011/12 £'000
Not later than one year	338	534
Later than one year and not later than five years	786	603
Later than five years	930	908
	2,054	2,045

37. Impairment Losses

During 2010/11 and 2011/12, the Council has recognised the following impairment losses:

- Stompond Lane – The property has been further impaired by £21,407 in 2011/12. In 2010/11 the impairment was £30,247 (£3,371 being a reversal from the revaluation reserve). These impairments reflect the deterioration in the property structure and the ongoing management issues.
- Mill Road Depot – The property has been impaired in 2011/12 by £1,800,000 due to the uncertainty of re-letting the rear of the site formerly occupied by Surrey County Council.

Under regulation impairment losses have no effect on the Council Tax payer.

38. Termination Benefits

The Council terminated the contracts of a number of officers in 2011/12, incurring liabilities of £127,859 (£411,539 in 2010/11). This amount is payable to 6 officers (19 officers in 2010/11) from various departments across the Council as part of the Council's staffing restructures to reduce employee costs. It is estimated that as a result of these termination of contracts and other restructures the Council will save approximately £170,000 in 2012/13 (£1,150,000 in 2011/12). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

Number of Employees 2010/11	Termination Benefit	Number of Employees 2011/12
9	£0 - £19,999	4
6	£20,000 - £39,999	1
3	£40,000 - £59,999	0
1	£60,000 - £79,999	1
0	£80,000 - £99,999	0

The total cost of £127,859 includes £64,560 for exit packages that have been agreed and accrued at the year end.

39. Provisions

	Outstanding Legal Cases £'000	Injury and Damage Compensation Claims £'000	MMI £'000	Other £'000	Total £'000
Balance at 1 April 2011	250	250	-	750	1,250
Additional provisions made in 2011/12	-	-	389	-	389
Amounts used in 2011/12	(101)	(4)	-	-	(105)
Unused amounts reversed in 2011/12	-	(246)	-	(300)	(546)
Balance at 31 March 2012	149	-	389	450	988

In 2010/11, an ongoing dispute regarding planning permission had currently been found in the Council's favour, however further action was taken in 2011/12 to appeal the decision and the £50,000 provided in 2010/11 for the cost of this action was fully utilised. The total cost to defend the action in 2011/12 was £56,975, £50,000 was charged against the provision with the balance charged against the Income and Expenditure Account in 2011/12.

At the 31 March 2011 there remained a level of uncertainty regarding three disputes with ex-employees of the Council. The Council has incurred costs of £17,839 in 2010/11 and the provision was increased from £125,000 to £200,000 at the 31 March 2011. The Council incurred costs of £51,316 during 2011/12. One of these disputes has now been settled in the Council's favour. The balance at 31 March 2012 is to cover any future costs in connection to the two outstanding disputes.

During 2010/11, a claim was made against the Council for an industrial injury sustained in the 1960's and 1970's. The claim is not covered by the Council's insurance and £250,000 has been set aside. The claim against this Council was withdrawn during 2011/12. The Council incurred costs of £4,412 in arguing that the claim was not against this Council. The remaining provision was reversed in 2011/12.

In 1991 the Council's Insurer Municipal Mutual Insurance went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in settling outstanding court cases. As a result it is now unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Council's maximum liability, should there be an insolvent run off, is £389,000. A full provision has been made at this time to cover the maximum liability until an actuarial review of the company is completed. At the time of issue of the accounts an actuarial review has not been undertaken. The effect on the Council's Comprehensive Income and Expenditure account has been reduced by transferring £100,000 from the earmarked reserve, which was specifically set aside to assist with an insolvent run off of MMI.

At the end of 2010/11 there was an ongoing dispute with a council tenant regarding the rectification of dilapidations with a provision of £300,000 set aside. The issue was resolved during 2011/12 and the amount of the provision reversed in 2011/12.

There is an ongoing dispute with a council tenant regarding repairs and maintenance; the Council set aside £450,000 in 2010/11, at the 31 March 2012 the dispute has not been resolved.

40. Defined Benefit Pension Scheme

40.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not

actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Arrangements for the award of discretionary post retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they fall due.

40.2 Transactions Relating to Post-employment Benefits

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

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

2010/11 £'000	2011/12 £'000	£'000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services		
1,599 Current service cost	1,729	
(10,218) Past service costs	-	
128 Curtailment and settlements	<u>57</u>	1,786
Financing and Investment Income and Expenditure		
5,455 Interest cost	5,196	
(4,893) Expected return on scheme assets	<u>(4,571)</u>	625
(7,929) Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services		2,411
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
(600) Actuarial gains and losses		<u>7,738</u>
(8,529) Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		10,149
<u>Movement In Reserves Statement</u>		
Reversal of net charges made to the Surplus or Deficit for the		
10,923 Provision of Services for post employment benefits in accordance with the code		<u>(7,816)</u>
2,394 Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme		2,333

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £32.208 million (31 March 2011 £24.470 million).

40.3 Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

	2010/11	2011/12
	£'000	£'000
Opening balance at 1 April	108,301	95,751
Current service cost	1,599	1,729
Interest cost	5,455	5,196
Contributions by scheme participants	634	620
Actuarial (gains) and losses	(5,351)	4,375
Benefits paid	(4,797)	(4,990)
Past service costs*- Exceptional item	(10,218)	-
Curtailments	128	57
Settlements	-	-
Closing balance at 31 March	95,751	102,738

* Past service cost is an exceptional item relating to a change in the increase in pensions from RPI increases to CPI increases.

Reconciliation of fair value of the scheme (plan) assets:

	2010/11	2011/12
	£'000	£'000
Opening balance at 1 April	68,874	67,252
Expected rate of return	4,893	4,571
Actuarial gains and (losses)	(4,746)	(3,363)
Employer contributions	2,394	2,333
Contributions by scheme participants	634	620
Benefits paid	(4,797)	(4,990)
Settlements	-	-
Closing balance at 31 March	67,252	66,423

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1,217,000 (2010/11: £6,087,000).

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(80,372)	(77,867)	(108,301)	(95,751)	(102,738)
Fair value of assets in the Local Government Pension Scheme Surplus/ (deficit) in the scheme:	65,378	49,039	68,879	67,252	66,423
Total Liability	(14,994)	(28,828)	(39,422)	(28,499)	(36,315)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £36.3 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Actuary estimates that the total contributions expected to be made to the Local Government Pension Scheme for the year to 31 March 2013 as £2,070,000.

40.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	6.3%
Bonds	4.9%	3.9%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
• Men	21.9	21.9
• Women	24.0	24.0
Longevity at 65 for future pensioners (years):		
• Men	23.9	23.9
• Women	25.9	25.9
Pension Increase Rate (CPI)	2.8%	2.5%
Rate of increase in salaries *	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
Take up of option to convert annual pension into retirement lump sum as a maximum of tax free cash up to HMRC limits		
• Pre 2008 Service	25.0%	25.0%
• Post 2008 Service	63.0%	63.0%

* Salary increases 1% per annum nominal to 31 March 2015, reverting to 4.8% per annum thereafter. (In 2010/11 the assumption was a 1% increase per annum until 31 March 2012 reverting to 5.1% thereafter).

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011	31 March 2012
	%	%
Equity Investments	76	73
Bonds	16	18
Property	5	6
Cash	3	3
	100	100

40.5 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(11.5)	(40.9)	25.3	(7.1)	(5.0)
Experience gains and losses on liabilities	(2.6)	0.0	0.1	5.7	4.5

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

41. Contingent Liabilities

In 1991 the Council's Insurer Municipal Mutual Insurance went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. At 31 March 2011 the Council identified the Company run off as a Contingent Liability and had set aside £100,000 in an earmarked reserve. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in settling outstanding court cases. As a result it was unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Council's maximum liability should there be an insolvent run off is £389,000. A full provision has been made at this time to cover the maximum liability until an actuarial review of the company is completed. At the time of issue of the accounts an actuarial review has not been undertaken. The effect on the Council's Income and Expenditure account has been reduced by transferring £100,000 from the earmarked reserve, which was specifically set aside to assist with an insolvent run off of MMI. At 31 March 2012 there is no longer a contingent liability for the possibility of an insolvent run off of MMI, a provision has been established to cover the full cost of the insolvent run off which is now anticipated.

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

42. Contingent Assets

There are no contingent assets.

43. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

43.1 Credit Risk

Credit risk arises from deposits with banks and other financial institutions, and in addition as credit exposures to the Council'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 sums to be invested with a single financial institution located within each category as detailed in the table below.

The credit criteria in respect of financial assets held by the Council are as detailed in the table below.

Time and Monetary Limits applying to Investments – The time and monetary limits for institutions on the Council's Counterparty List are as follows:

	Fitch (or equivalent)		Money Limit	Time Limit
	Short Term	Long Term		
Limit 1 Category	F1	A	£15m	5yrs
Limit 2 Category	F2	A-	£15m	1yr
Limit 3 Category	F1	A+	£10m	1yr
Limit 4 Category	F2	BBB+	£5m	1yr
Limit 5 Category	-	-	£3m	1yr
Limit 6 Category	F1	A+	£15m in group	1yr
Other Institution Limits				
Limit Category 7	-	-	£5m	1 yr

Investment Limits - The Council sets additional criteria to cover the amount of monies which will be invested with individual bodies referred to above. These are shown in the table below:

Institution	Maximum Loan £m
Major UK Clearing Banks and Subsidiaries	15.00 (1)
UK Bank subsidiaries of overseas banks	15.00 (2)
Banks – Cater Allen	5.00 (3)
Nationwide Building Society	10.00
Yorkshire, Coventry & Leeds Building Societies	5.00
Nottingham Building Society	3.00
Other Local Authorities	5.00
Money Market Funds – Prime Rate Sterling/Ignis Sterling	2.00 (4)

(1) Per Clearing Bank (2) Within the Category (3) £5m max within category 2 (4) £3m in the group

The institutions approved for the purpose of lending the Council's internally managed surplus cash, along with Moody's financial strength credit ratings as at 31 March 2012 (in brackets) are detailed below:

Credit rating information is closely monitored and any institutions falling below the minimum criteria are removed immediately from the Council's Counterparty List.

Major UK Clearing Banks & Subsidiaries (£15 million maximum per Clearing Bank)

- Barclays Bank plc (C)
- Co-operative Bank plc (C-)
- HSBC Bank plc (C+)
- Lloyds Banking Group: Lloyds TSB Bank (C-)
- Royal Bank of Scotland (C-)

UK Bank Subsidiaries of Major Overseas Banks (£15 million within category)

- Santander UK plc (C-) - owned by Banco Santander
- Cater Allen – 100% UK owned (and guaranteed) subsidiary of Santander UK plc - investment limit £5 million
- Clydesdale Bank (C-) - owned by National Australia Bank

Building Societies

- Nationwide (C) (ranked no. 1 by asset size) – investment limit £10 million
- Yorkshire (C-) (ranked no. 2) – investment limit £5 million
- Coventry (C-) (ranked no. 3) – investment limit £5 million
- Leeds (C) (ranked no. 5) – investment limit £5 million
- Nottingham (C-) (ranked no. 11) – investment limit £3 million

UK Government Debt Management Office (unlimited investments)

All Local Authorities (includes Police & Fire Authorities) (**£5 million maximum per Authority**)
[excluding other Surrey Local Authorities]

Money Market Funds (Maximum £3 million in the group with £2 million per counterparty)

- Prime Rate Sterling Liquidity Fund
- Ignis Sterling Liquidity Fund

Customer Debt - Credit exposures to customer debt are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by 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 has a prudent provision for bad debts to cover cases of default. There are no debts posing a credit risk to the Council at the balance sheet date, which are not covered by the provision for bad debts.

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

The Council does not generally allow credit for customers, such that £427,000 of the £3.5m balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

2010/11		2011/12
£'000		£'000
337	Less than three months	82
83	Three to six months	92
237	Six months to one year	87
71	More than one year	166
728		427

43.2 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 2012, Elmbridge has external borrowing with the PWLB £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.

43.3 Market Risk

Interest Rate Risk

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

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

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

However, changes in interest receivable on variable rate investments would be posted to Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value

of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the Council against changes in the investment income generated on its surplus funds due to changes in market conditions, at the 31 March 2012 the balance remaining on this reserve was £2.3 million.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an additional £320,000 being credited to the Surplus or Deficit on the Provision of Services.

43.4 Price Risk

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

43.5 Foreign Exchange Risk

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

43.6 Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- an interest rate at 31 March 2012 of 2.96% applies to the loan from PWLB, and a range of 2.10% to 2.84% for loans receivable (investments) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated as follows:

	2010/11		2011/12	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities	7,620	7,620	7,769	7,769
Long-term creditors	3,486	3,482	3,001	3,246

The fair value of long-term creditors is higher than the carrying amount because the rate payable on the Council's PWLB loan is higher than the prevailing rates at the Balance Sheet date. This shows a

notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

	2010/11		2011/12	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables	33,906	33,906	36,862	36,862
Long term debtors	10,318	11,155	11,570	12,010

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest above current market rates.

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

Collection Fund Income and Expenditure Account

2010/11		Note	2011/12
£'000			£'000
Income			
89,516	Council Tax	1	90,326
Transfer from General Fund:			
6,849	Council Tax Benefit	1	6,749
48,855	Income collectable from Business Rate Ratepayers	2	50,488
145,220			147,563
Expenditure			
94,547	Precepts and Demands from County, District & Police	3	95,159
Business Rates:			
48,665	Payment to National Pool	2	50,301
190	Cost of Collection Allowance	2	187
Contributions:			
778	Towards previous years estimated Collection Fund Surplus	4	1,062
Bad and Doubtful Debts/Appeals:			
147	Write-Offs		114
44	Provisions	5	59
144,371			146,882
(849)	Movement on Fund Balance		(681)
Movement on Fund Balance			
(1,149)	Balance at 1 April		(1,998)
(1,998)	Balance at 31 March		(2,679)

Precepts and Demands on the Collection Fund

2010/11		Precept / Demand	Share of 31 March 2012 Surplus	2011/12
£'000		£'000	£'000	£'000
12,744	Elmbridge Borough Council	12,561	351	12,912
71,147	Surrey County Council	70,126	1,977	72,103
12,654	Surrey Police Authority	12,472	351	12,823
96,545		95,159	2,679	97,838

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 2011/12 Council Tax charge for Band D properties of £1,528.09 within the Claygate Parish Area and £1,514.09 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	226	6/9	151
B	1,459	7/9	1,135
C	5,949	8/9	5,288
D	11,554	1	11,554
E	9,707	11/9	11,864
F	7,070	13/9	10,212
G	10,258	15/9	17,097
H	3,334	18/9	6,667
TOTAL	<u>49,557</u>		<u>63,968</u>
		Less: Adjustments *	(1,151)
		Council Tax Base	<u>62,817</u>

* 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 (£129.993 million) multiplied by the Uniform Business Rates (43.3p), (42.6p for small businesses)	55,377
Less : Debit adjustment made in year for empty properties and revaluations (including prior years)	(4,882)
Less : Reliefs and Write-Offs (net)	(7)
Net Sum Collectable	50,488
Less : Allowance for Collection Payment to National Pool	(187)
	50,301

The Non Domestic Rateable Value for the Elmbridge area at 31 March 2012 was £129.523 million.

3. Precepts and Demands

2010/11 £'000	2011/12 £'000
69,675 Surrey County Council	70,126
12,432 Elmbridge Borough Council	12,513
12,392 Surrey Police Authority	12,472
48 Claygate Parish Council	48
94,547	95,159

4. Distribution of Council Tax Surplus

2010/11 £'000	2011/12 £'000
571 Surrey County Council	783
105 Elmbridge Borough Council	140
102 Surrey Police Authority	139
778	1,062

5. Council Tax Provision for Bad Debts

2010/11 £'000	2011/12 £'000
587 Opening Balance	631
44 Increase/(Decrease) In Bad Debts Provision	59
631 Balance at Year End	690

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 2011 to 31 March 2012.

Accrual

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

Actuarial Gains and Losses

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

Appropriations

The transfer of resources between various revenue reserves.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Budget

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

Budget Requirement

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

Capital Charge

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

Capital Expenditure

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

Capital Financing Account

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

Capital Receipts

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

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

A fund administered by the Council as a "billing authority". The Council Tax and National Non-Domestic Rates are paid into this fund. 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 Comprehensive Income and Expenditure Account. The balance on the account at the year end represents the Borough Council's element of the Collection Fund balance at the year end.

Creditors

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

Current Service Cost

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

Debtors

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

Depreciation

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

Expected Rate of Return on Pensions Assets

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

Fees and Charges

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

Fixed Asset

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

Formula Grant

Central government financial support towards the general expenditure of local authorities. 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 amortised over their expected life but there is no physical asset.

Interest Cost

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

LABGI – Local Authority Business Growth Incentive Grant

A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

Leasing

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

Minimum Revenue Provision

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

Non Domestic Rates

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

Precept

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

Provisions

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

Public Works Loans Board

A government body that provides loans to local authorities.

Reserves

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems.

Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revenue Expenditure

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

Revenue Expenditure funded from Capital Resources Under Statute

Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset.

Specific Government Grants

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

Abbreviations

ABG	Area Based Grants
BSc	Bachelor of Science
CAB	Citizens Advice Bureaux
CCTV	Closed Circuit Television
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
DRC	Depreciated Replacement Cost
EUV	Existing Use Value
FRS	Financial Reporting Standard
GPSS	Government Pipeline and Storage System
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standard
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LPSA	Local Public Service Agreement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
PFI	Private Finance Initiative
PDG	Planning Delivery Grant
PPP	Public Private Partnership

PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
SAC	Special Areas of Conservation
SANGS	Suitable Alternative Natural Green Space
SeRCOP	Service Reporting Code of Practice
SCC	Surrey County Council
SPA	Special Protection Areas
VAT	Value Added Tax
VFM	Value for Money



Annual Governance Statement 2011/12

For the period 1 April 2011 to 31 March 2012

1. SCOPE AND RESPONSIBILITY

Elmbridge Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Elmbridge Borough Council is also responsible for maintaining proper arrangements for the governance of its affairs, the stewardship of the resources at its disposal and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council's Strategic Director - Resources is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in Section 151 of the Local Government Act 1972.

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, 2009 and 2011 in relation to the publication of an Annual Governance Statement.

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.

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 2012 and up to the date of approval of the Annual Report and Performance Plan and Statement of Accounts for 2011/12.

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 2011. 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 2011/12.

3.2 Reviewing our Vision and its implications for our governance arrangements

In February 2009 Council approved priorities for a two year period, ready for adoption in April 2011.

In 2010 Members' views were sought on the Council's priorities for 2011 onwards and how the Council might further deliver the government's priority of delivering a "Big Society" and these were approved by Council in December 2010.

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, Performance and Finance Panel 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 Communication Toolkit, and this was revised in June 2011.

Alongside the Council's communications activities, annual consultation is carried out with the Council's Residents and Elmbridge Business Network. 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.

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 – in February 2010 the Council agreed the implementation of a single Overview and Scrutiny Committee. This was adopted in May 2010. The Overview and Scrutiny Committee is responsible for ensuring all overview and scrutiny functions are fulfilled and the Committee is responsible for setting its own work programme. 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.
- 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, treasury management activity and governance framework.

In 2011/12 the Committee has had three independent members, one of whom was 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' 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 seven Councillors, two Parish Councillors and three independent members. One of the independent members chaired the Committee in 2011-12. Three sub-committees were in place for the purpose of assessment, hearing and review of complaints against members in respect of the Members' Code of Conduct.

A new Members Code of Conduct was agreed by Council in April 2012 in accordance with requirements of the Localism Act 2011. It is expected that this new code will be implemented in July 2012, subject to relevant provision in the Localism Act 2011. New arrangements for the investigation of complaints were also approved by the Committee on 14 March 2012.

In accordance with requirements of the Localism Act 2011 the recruitment of independent persons was undertaken in April 2012. Nominations are to be recommended to Council in July 2012.

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 2011/12.

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. In 2011/12 the Constitution was updated on an ongoing basis and published online. The Council operated a "Strong Leader" model of executive arrangements for the first time in 2011/12.

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 the Audit and Standards Committee in September 2011 and to Cabinet in February 2012.

A comprehensive Member Development Programme is provided annually to all Members of the Council. Accordingly, bespoke training sessions in respect of Planning and Licensing matters are included at the commencement of the new municipal year. An overview of Risk Management is also contained within the Members' Handbook, which is provided to each Member of the Council.

As part of the preparation of the Annual Governance Statement for 2011/12 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 Cabinet. 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). This review programme continued throughout 2011/12 and was also planned to look at how customers contact us and a report was submitted to the Corporate Management Board in April 2011.

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

For example, a VFM review would look at Corporate Policy and Partnerships to try to identify efficiency savings across the whole service. 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.

The Council's Business Improvement Programme BEAM has been identified as good practice by the Municipal Journal and was a finalist in their annual award ceremony (23 June 2011).

The Council's Business Improvement group is also looking to develop a review programme using the BEAM principles and this will be implemented during 2012/13.

3.10 Organisational Assessment and Improvement

In previous years the Council was assessed under Comprehensive Area Assessment (CAA), which was introduced in April 2009 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.

Following the change of government CAA was abolished in May 2010. However, in September 2011, the Audit Commission issued an unqualified Value for Money conclusion for the Authority as at 31 March 2011 and an unqualified opinion on the Council's financial statements.

Peer Review

In 2011/12 the Council undertook a peer review programme with Wychavon District Council.

Elmbridge Borough Council and Wychavon District Council entered into a partnership to assist both on their improvement journeys. Elmbridge has developed an improvement plan from this relationship to ensure it continues to be excellent.

Elmbridge and Wychavon are both excellent authorities as categorised under the Audit Commission's CPA assessments and both Councils want to ensure that they are providing the best services to the public.

In previous years Elmbridge has invited organisations such as the IdeA in to review how the Council is doing. In the past the Council has also been subjected to Audit Commission reviews.

This partnership with Wychavon is something that the Council has chosen to join and develop. Elmbridge is leading the way in what nationally is being termed "sector led improvement". The review led to the development of an improvement plan – Mission 43. The Council has embarked on a major organisational improvement review programme, which involves the whole organisation.

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 2011/12 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;
- A review of detailed budgets;
- 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; and
- Managing risk in key financial service areas and in particular income from fees and charges by specific monthly monitoring and reporting to Senior Management.

The Annual Audit Letter contained an unqualified opinion on the Council's financial statements for 2010/11.

3.12 Effectiveness of the System 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 Internal Audit 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 2011/12 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 service 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 in June 2012, 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.

In 2010/11 the Committee also became responsible for scrutiny of the Treasury Management function and this was incorporated into the Terms of Reference. An Annual Report of the Audit and Standards Committee was introduced in 2009/10 and the Annual Report for 2011/12 was submitted to full Council in April 2012.

The Audit and Standards Committee is also responsible for:

- i) advising the Council on the revision of the Code of Conduct for Members;
- ii) monitoring the operation of the Code of Conduct; and
- iii) receiving reports following complaints about individual Members and determining if a breach of the Code of Conduct has arisen and, if so, deciding upon the appropriate sanction.

The Localism Act 2011 received Royal Assent on 15 November 2011 and introduces a more local process for the regulation of Member Conduct. The Head of Legal Services' report on 25 January 2012 informed the Committee of the Act's new ethical framework. The Committee indicated its willingness to continue to play a key role in Member Governance. The Head of Legal Services provided a further report regarding the new framework to the Committee on 14 March 2012. The Audit and Standards Committee will remain the principal focus for maintaining and promoting high standards of conduct against Members.

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 the Overview and Scrutiny Committee, 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.

In March 2011 the Corporate Management Board approved a programme of Performance Clinics and these were held with Heads of Service for 2011/12.

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 2011 and the Corporate Risk Register for 2011/12 was taken to Cabinet in February 2011, 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. The review programme completed in March 2011. However, the process continues to be used for further reviews particularly with the development of the Council's customer services programme.

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

Fully resourced training and development programmes are in place for officers and Members of the Council, clearly linked to the Council's Vision and Top Priorities, service delivery planning arrangements and statutory responsibilities.

In 2010/11 the Council commenced a new Passport for Training two year programme that introduced 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, financial awareness, ethical governance and fraud awareness and a suite of courses for both Senior and Middle Managers. Courses have been delivered across the Council throughout 2011/12 in these key areas.

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 and key officers of the Council to ensure it remains timely and relevant. In May 2007 the Council was awarded Charter status under the national Charter for Elected Member Development in recognition of its comprehensive induction, development and support programme for all Members of the Council. External re-assessment took place in September 2011 and the Charter was re-awarded to the Council. The Council has also attained several "Councillor Development Achievement" Municipal Journal Awards.

Elmbridge Borough Council was first recognised as an Investor in People in March 2005 and this was reviewed in February 2008. In that review, the Investors in People profile was used and resulted in the Gold Award being achieved and the designation of "Investors in People Champion" status.

In December 2010, the Council was assessed against the current Your Choice Framework and it was confirmed that the Council continued to meet the requirements of the standard part of the Investors in People Framework and 149 Evidence Requirements from the “Your Choice” part of the Investors in People Framework. This meant that the Council retained Gold Recognition and Champion status, putting Elmbridge among a select group of only a handful of exemplary employers across both the public and private sectors.

3.17 Partnership governance arrangements

The Council continued to strengthen its partnership governance arrangements in 2011/12 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 and 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 are in place in the Framework. As part of the Council’s Partnership Framework an annual update on the outcomes and costs of the Council’s partnerships is provided to the Corporate Management Board and for 2011/12 it is planned that this will be reported in June 2012.

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 new Code of Conduct for Members in April 2012 and it has a comprehensive Members Development Programme, updated annually, and an Induction Programme for newly elected Members.

In 2011/12 Members were trained in the essential requirements of the Constitution and Conduct. A training event dedicated to the Code of Conduct was delivered in partnership with a neighbouring authority. Propriety in planning matters was strengthened by the Planning Committee’s adoption of a Code of Good Practice which now sits alongside other protocols in the Council’s Constitution.

The Audit & Standards Committee has over-arching responsibilities and oversees the Council’s ethical governance arrangements. In 2011/12 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 service 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.

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 Vision and Top Priorities and outlines our priorities and targets for the forthcoming year.

The Constitution was reviewed in 2011/12 and its currency was maintained throughout the year by the Head of Legal Services.

In 2010/11 the Council consulted the public on which of the two statutory Leadership models ("Strong Leader" or "Elected Mayor") it should adopt for implementation in May 2011 and as a result the Strong Leader model has been introduced. The new Constitution reflects the power afforded to the Leader to appoint and dismiss Cabinet Members, to allocate Portfolio functions and to make in-year Cabinet changes. These constitutional provisions were put in place and published in readiness for the Annual Meeting of Council held on 18 May 2011.

4.2 Cabinet and Performance & Finance Panel

The Cabinet and the Performance & Finance Panel (a standing panel of the Overview and Scrutiny Committee) receive the quarterly Performance Report (including financial monitoring), 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 Committee to Council. The Overview and Scrutiny Committee also sets its own Forward Work Programme for the year.

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.

New arrangements for the investigation of complaints against Members were approved by the Committee in March 2012. These arrangements are consistent with the ethical provisions contained in the Localism Act 2011.

Commencing in the Municipal Year 2009/10, the Council recruited two new Independent Members to serve four-year terms of office, retiring in May 2013. 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.

The Committee's accountability for governance has been given a higher profile by the introduction of an annual report to full Council on the work of the Committee. This reporting mechanism mirrors the connection that exists between the Council and the Overview and Scrutiny Committee. The first Annual Report of the Audit and Standards Committee was received by the Council on 28 July 2010 and the Annual Report for

2011/12 was received by the Council on 18 April 2012. This new reporting line, combined with the webpage profile mentioned elsewhere in this report, highlights the Committee's role and brings it closer to the public.

4.4 Internal Audit

Based on the work undertaken by the Internal Audit Service relating to 2011/12 the results of the Internal Audit reviews have been reported to the Audit and Standards Committee. Any shortcomings have been reported to senior management and the Council's Corporate Management Board and the Head of Internal Audit Partnership is satisfied that management has undertaken to address any control weaknesses.

4.5 External Agencies

In September 2011 an unqualified Value for Money Conclusion was received from the Audit Commission together with an unqualified opinion on the Council's financial statements as at 31 March 2011.

The Council achieved excellent results in its Investors in People (IIP) inspection in December 2010, retaining its "Gold" and "Champion" status. This puts the Council among a select group of only a handful of exemplary employers across both the public and private sectors.

The Council attained the national Charter for Elected Member Development in May 2007 through the accreditation framework provided by South East Employers, which recognises the quality support provided to Members in discharging their role. The Council was successfully re-awarded the Charter following reassessment in September 2011.

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 March 2009. The review of the Council's Code of Connection was completed in February 2012 and the Council has been approved for another year as at March 2012.

In 2012 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 Borough Council Shout! Holiday Activity Scheme achieved an Outstanding Ofsted Accreditation for Bell Farm Site. The Inclusive Sport Project in Elmbridge has been granted the Inspire Mark, the badge of the London 2012 Inspire Programme. The London 2012 Inspire Programme recognises innovative and exceptional projects that are directly inspired by the 2012 Olympic and Paralympic Games. Both the Excel Leisure Centre and Hurst Pool have Quest accreditation.

In 2011/12 Customer Service Excellence awards were achieved by services including Town Planning, Environmental Health and Licensing Pest Control Service and Community Support Services for whose award the Inspector's report highlighted examples of "Transformational Practice" in working in partnership which should be drawn to the attention of the Cabinet Office as a model of the Big Society in action. Leisure and Cultural Services also retained their Customer Excellence Award in May 2011. The Council is undertaking a corporate Customer Service Excellence assessment in June 2012.

Legal Services was reaccredited with the Lexcel quality mark in November 2011 and the Building Control service has recently secured accreditation against ISO 9000 again.

5. IMPROVEMENTS DURING THE YEAR

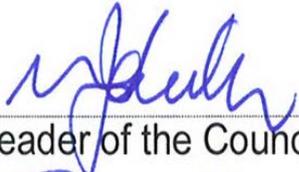
In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements and matters identified in 2010/11 have been addressed as follows: -

- i) The Council's improvement was monitored on an ongoing basis by the Corporate Management Board and the work of corporate improvement groups continued across the Council in 2011/12 in this regard.
- ii) Both risk management and partnership governance arrangements have been further improved during 2011/12.
- iii) Action has been taken in 2011/12 to progress business continuity across the Council, resulting in strengthened arrangements and progress is ongoing in this regard.
- iv) The Information Governance Group has furthered and addressed Information Governance matters throughout the year. The group leads the corporate Information Management vision and ensures the Council's Information Management Strategy is implemented, maintained and continually improved. The Strategic Director-Resources assumed the designated role of Senior Information Risk Owner in 2011/12.
- 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 in February 2012. Mandatory information management and information security sessions were provided throughout 2011/12.
- vi) The dedicated Audit and Standards Committee homepage has been utilised throughout the year. It has 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 established 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 March 2012 and the corporate governance health check undertaken by Internal Audit, there are no significant governance issues to report. Furthermore the review of the Council's system of governance and internal control has not identified any significant weaknesses.

We propose over the coming year to take steps to further enhance our governance arrangements. We will monitor their implementation as part of our regular reporting arrangements.

Signatures:  Date: 4/7/12.
Leader of the Council

 Date: 4/7/12
Chief Executive