



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

Foreword to the Statement of Accounts 2014



Foreword to the Statement of Accounts 2013/14

Summary of Financial Performance in the year.

In the financial year to 31 March 2014, the Council delivered its services at a net cost of £14,433,000 (excluding the cost of asset purchases funded from revenue in the year £3,130,000); which was within the approved budget of £17,563,000. 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, £14,433,000 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 2014. 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 following the General Election in 2015.

The Council has recognised in strategic terms that the local authority needs to reduce its dependency on Government revenue funding when public funds are so highly constrained, through effective use of assets and increased income from investment properties.

Accounts for 2013/14

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 2013/14 includes:

The Statement of Responsibilities

This outlines the responsibilities of the Council's and the Chief Finance Officer's responsibilities for the statement of accounts. It also carries the certification of the Chief Finance Officer (S151 Officer).

The Audit Opinion and Certificate

This is provided by Grant Thornton following the completion of the annual audit by September of the following financial year.

Annual Governance Statement (AGS)

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

The Statement of Accounting Policies

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

Core Financial Statements

The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund specific items of expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. 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 Councils working capital ratio (current assets / current liabilities) at 31 March 2014 is 3.5 (2.9 at 31 March 2013). The working capital provides an indication of the council's ability to pay its debts within one year. The higher the ratio, the more liquid the organisation.

The Cash Flow Statement

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

flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the Core Financial Statements

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

The Collection Fund Statement

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

The method for distributing and accounting for non-domestic rates changed from 1 April 2013 with the introduction of the Business Rates Retention Scheme, under which local authorities are permitted to retain a proportion of any revenue growth against a baseline set by Government. For further information, refer to the Collection Fund Income & Expenditure account and notes.

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 for 2013/14 were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2012 and February 2013.

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 2013/14 Budget incorporated savings and reductions of £1.0 million. The main components of the budget for 2013/14, and how they compare with actual income and expenditure to the year are:

| Portfolio | 2012/13 | 2013/14 | | | |
|---|-----------------|-----------------------------|-----------------|---|-------------|
| | Actual £'000 | Original Budget £'000 | Actual £'000 | Variance to Original Budget £'000 | % |
| Community Development | 433 | 472 | 476 | 4 | 1 |
| Corporate Development | 1,933 | 2,235 | 2,129 | (106) | (5) |
| Environment and Economy | 5,610 | 5,770 | 5,654 | (116) | (2) |
| Highways and Transport | (789) | (859) | (1,119) | (260) | (30) |
| Housing | 1,498 | 2,095 | 1,029 | (1,066) | (51) |
| Leisure and Culture | 4,340 | 4,656 | 3,908 | (748) | (16) |
| Licensing Committee | 154 | 212 | 152 | (60) | (28) |
| Regulatory Affairs | 492 | 622 | 539 | (83) | (13) |
| Resources | 1,757 | 2,369 | 590 | (1,779) | (75) |
| Social | 2,350 | 2,473 | 2,323 | (150) | (6) |
| Planning Committee | 1,126 | 1,496 | 1,238 | (258) | (17) |
| | 18,904 | 21,541 | 16,919 | (4,622) | (21) |
| Asset Rentals | (1,860) | (2,257) | (2,257) | - | - |
| Interest on Balances | (1,363) | (836) | (795) | 41 | 5 |
| Contribution From Interest Equalisation Reserve | - | (791) | (300) | 491 | 62 |
| Purchase of Investment Property | 4,060 | - | 3,130 | 3,130 | - |
| New Homes Bonus | (1,146) | (1,540) | (1,557) | (17) | (1) |
| Transfer from Council Tax Freeze Grant Reserve | (318) | (313) | (313) | - | - |
| Transfer to New Homes Bonus Reserve | 1,146 | 1,540 | 1,557 | 17 | 1 |
| To / (from) Earmarked Reserves | (1,832) | (84) | 873 | 957 | - |
| Capital Financing | 86 | 303 | 306 | 3 | 1 |
| | 17,677 | 17,563 | 17,563 | - | - |
| Agreed transfer from General Reserve to Earmarked Reserve | - | - | - | - | - |
| | 17,677 | 17,563 | 17,563 | - | - |

The main variances between the original budget and the actual position for 2013/14 are summarised in the table below:

| | £'000 |
|---|---------|
| Employee Costs | (323) |
| Operating Expenses | (723) |
| Income | (1,204) |
| Centrally Held Provisions | (45) |
| Net decrease in Provisions | (860) |
| Asset Purchase funded from Revenue and Reserves in the year | 3,130 |

Budgets are monitored on the following basis;

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

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

Material Assets and Liabilities

During 2013/14 the Council purchased two office blocks in Esher at an overall cost of £3.9 million. Both of these are investment properties which will generate a higher rate of return than investing surplus funds in the current money market. More detail can be found in note 14 and note 35.

Pensions

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £46.8 million, which reduces the total reserves of the Council by some 44%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

Significant Changes in Accounting Policies and Requirements

There have been no significant changes in Accounting Policies and requirements for 2013/14.

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 2014, the Authority had neither identified nor incurred any liabilities in relation to any possible future introduction of the Euro.

Borrowing

The Council has £4,820,000 of borrowing outstanding at 31 March 2014 from the Public Works Loan Board (PWLb). £1,500,000 was borrowed to part fund the building of the Xcel Leisure facility and £3,500,000 was borrowed to part fund the purchase of the shops in Cobham.

Capital Expenditure

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

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| 10,908 | Investment Properties | 3,899 |
| 707 | Walton Community Hub | 35 |
| 642 | Other Public Building Acquisition and Enhancements | 968 |
| 310 | Private Sector Housing Grants | 583 |
| 385 | Affordable Housing Grants / Loans | 400 |
| 633 | Other | 466 |
| 281 | IT Development | 548 |
| 43 | Recycling Containers | 88 |
| 106 | Playground Refurbishments / Tennis Courts | 88 |
| 14,015 | Total | 7,075 |

The total capital receipts received which can only be used to fund capital expenditure was £1,291,000 with £1,163,000 being received as part of the agreement with Elmbridge Housing Trust (Paragon) for the Council's proportion of the sale of former council houses.

The Council set its capital programme in February 2014 with spending plans being funded as follows:

| | Total Funds Available at 31 March 2014 £'000 | Budgeted Spend 2014/15 £'000 |
|--------------------------|---|---|
| Capital Receipts | 9,595 | 2,588 |
| Capital Grants | 5,762 | 1,824 |
| Revenue Resources | 1,175 | 1,175 |
| Borrowing* | - | 10,000 |
| | 16,532 | 15,587 |

*Subject to suitable investment/asset development opportunities being identified.

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 2013/14 budget there was still uncertainty about the ongoing impact on income streams such as car park income, council tax collection, building control and planning fees. However, overall the total income received from fees and charges during the year exceeded the budget. The income received from fees and charges is very much dependant on the disposable income of individuals and therefore remains an area of concern which will be closely monitored.

Investment income arising from the interest the Authority earns on investing any surplus funds 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 2013/14 as a result of the decrease in deposit rates and a consequence of the reduction in the Council's list of approved counterparties with which the Council places its investments in order to reduce the risk of the Council losing its investment.

The Council, when setting the budget in February 2013, planned to use £791,000 from the Interest Equalisation Reserve. However, because of favourable variances against the 2013/14 budget, the Council only needed to draw down £300,000 from the Interest Equalisation Reserve in 2013/14.

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 Council utilised £313,070 in 2013/14.

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.

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



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Statement of Accounts Year Ended 31 March 2014



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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 will be approved at a meeting of the Audit & Standards Committee on 24 September 2014 after the completion of the audit.

Councillor Simon Waugh
Chair of Audit & Standards Committee
24 September 2014

Responsibilities of S151 Officer as Chief Financial Officer

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

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

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

The S151 Officer has also:

- Kept proper accounting records which were up to date;
- 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 2014 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
Section 151 Officer
Elmbridge Borough Council
Date of Issue: 24 September 2014

Independent Auditor's Report to the Members of Elmbridge Borough Council

Opinion on the Authority financial statements

We have audited the financial statements of Elmbridge Borough Council for the year ended 31 March 2014 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 2013/14.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director and Deputy Chief Executive and auditor

As explained more fully in the Statement of the Strategic Director and Deputy Chief Executive Responsibilities, the Strategic Director and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our 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 us 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 and Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Elmbridge Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our 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 2013, 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 us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are 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 2014.

Certificate

We certify that we have completed the audit of the financial statements 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.

Christian Heeger

Director

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

Grant Thornton UK LLP

Fleming Way

Manor Royal

Crawley RH10 9GT

25 September 2014

Movement in Reserves Statement

| 2012/13 | 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 2012 carried forward | 4,000 | 17,768 | 8,838 | 3,073 | 33,679 | 35,487 | 69,166 |
| Movement in reserves during 2012/13 | | | | | | | |
| Surplus/(Deficit) on the provision of services | (2,424) | - | - | - | (2,424) | - | (2,424) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | (2,832) | (2,832) |
| Total Comprehensive Income and Expenditure | (2,424) | - | - | - | (2,424) | (2,832) | (5,256) |
| Adjustments between accounting basis and funding basis under regulation (Note 7) | 1,517 | - | 530 | (48) | 1,999 | (1,999) | - |
| Net Increase (Decrease) before Transfers to Earmarked Reserves | (907) | - | 530 | (48) | (425) | (4,831) | (5,256) |
| Transfers to/from Earmarked Reserves (Note 8) | 907 | (907) | - | - | - | - | - |
| Increase (Decrease) in 2012/13 | - | (907) | 530 | (48) | (425) | (4,831) | (5,256) |
| Balance at 31 March 2013 carried forward | 4,000 | 16,861 | 9,368 | 3,025 | 33,254 | 30,656 | 63,910 |

| 2013/14 | 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 2013 carried forward | 4,000 | 16,861 | 9,368 | 3,025 | 33,254 | 30,656 | 63,910 |
| Movement in reserves during 2013/14 | | | | | | | |
| Surplus/(Deficit) on the provision of services | 3,588 | - | - | - | 3,588 | - | 3,588 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | (8,037) | (8,037) |
| Total Comprehensive Income and Expenditure | 3,588 | - | - | - | 3,588 | (8,037) | (4,449) |
| Adjustments between accounting basis and funding basis under regulation (Note 7) | (3,660) | - | 227 | 2,617 | (816) | 816 | - |
| Net Increase (Decrease) before Transfers to Earmarked Reserves | (72) | - | 227 | 2,617 | 2,772 | (7,221) | (4,449) |
| Transfers to/from Earmarked Reserves (Note 8) | 72 | (72) | - | - | - | - | - |
| Increase (Decrease) in 2013/14 | - | (72) | 227 | 2,617 | 2,772 | (7,221) | (4,449) |
| Balance at 31 March 2014 carried forward | 4,000 | 16,789 | 9,595 | 5,642 | 36,026 | 23,435 | 59,461 |

The movement in reserves statement shows the position at the 31 March 2014 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

| 2012/13 | | | | 2013/14 | | | |
|-------------------|---------------|-----------------|---|---------|-------------------|----------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Not e | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | | £'000 | £'000 | £'000 |
| | | | Service Expenditure | | | | |
| 3,892 | 1,810 | 2,082 | Central Services to the Public | | 3,714 | 2,001 | 1,713 |
| 5,064 | 849 | 4,215 | Cultural and Related Services | | 5,173 | 1,118 | 4,055 |
| 9,479 | 2,946 | 6,533 | Environmental and Regulatory Services | | 9,870 | 3,045 | 6,825 |
| 3,505 | 1,636 | 1,869 | Planning Services | | 3,772 | 1,702 | 2,070 |
| 2,423 | 2,992 | (569) | Highways and Transport Services | | 3,065 | 4,053 | (988) |
| 49,783 | 47,777 | 2,006 | Other Housing Services | | 44,027 | 41,996 | 2,031 |
| 3,646 | 1,770 | 1,876 | Adult Social Care | | 4,988 | 1,821 | 3,167 |
| 1,677 | 16 | 1,661 | Corporate and Democratic Core | | 1,556 | 18 | 1,538 |
| 5,583 | - | 5,583 | Exceptional Item | 2 | - | - | - |
| 25 | - | 25 | Non Distributed Costs | | 7 | - | 7 |
| 85,077 | 59,796 | 25,281 | Cost of Services | | 76,172 | 55,754 | 20,418 |
| 51 | 1,588 | (1,537) | Other Operating Expenditure | 9 | 42 | - | 42 |
| - | 714 | (714) | Gains on Sale of Former Council Houses | | - | 1,163 | (1,163) |
| 5,129 | 5,495 | (366) | Financing and Investment Income and Expenditure | 10 | 5,302 | 4,383 | 919 |
| - | 20,240 | (20,240) | Taxation and Non-Specific Grant Income and Expenditure | 11 | 18,617 | 42,421 | (23,804) |
| 90,257 | 87,833 | 2,424 | (Surplus) or Deficit on Provision of Services | | 100,133 | 103,721 | (3,588) |
| | | (21) | (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | 24.2 | | | 2,408 |
| | | - | Impairment Losses on Non-Current assets charged to the Revaluation Reserve | | | | 39 |
| | | 2,853 | Actuarial (Gains)/Losses on Pension Assets/Liabilities | 40.2 | | | 5,590 |
| | | 2,832 | Other Comprehensive Income and Expenditure | | | | 8,037 |
| | | 5,256 | Total Comprehensive Income and Expenditure | | | | 4,449 |

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

On 27 March 2000 the Council transferred its housing stock to the Elmbridge Housing Trust. The agreement between the Council and the Elmbridge Housing Trust required that a proportion of the proceeds derived from the sale of the council houses transferred to the Trust under Right to Buy arrangements would in future years be passed to Elmbridge Borough Council. In 2013/14, £1,062,886 (2012/13 £620,107) 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 Capital Receipts Reserve.

Balance Sheet as at 31 March 2014

| 2012/13 | | | 2013/14 |
|----------|------------------------------------|-------|-----------------|
| £'000 | | Notes | £'000 |
| 56,988 | Property Plant & Equipment | 12 | 52,207 |
| 1,290 | Heritage Assets | 13 | 1,285 |
| 15,241 | Investment Properties | 14 | 18,493 |
| 1,045 | Intangible Assets | 15 | 1,243 |
| 5,046 | Long Term Investments | 16 | 7,030 |
| 614 | Long Term Debtors | 18 | 731 |
| 80,224 | Long Term Assets | | 80,989 |
| 27,250 | Short Term Investments | 16 | 32,128 |
| 75 | Inventories | 17 | 127 |
| 4,488 | Short Term Debtors | 18 | 7,531 |
| 14,382 | Cash and Cash Equivalents | 19 | 4,874 |
| - | Assets Held for Sale | 20 | - |
| 46,195 | Current Assets | | 44,660 |
| (15,701) | Short Term Creditors | 21.1 | (12,692) |
| (140) | Short Term Loans | 21.2 | (140) |
| (15,841) | Current Liabilities | | (12,832) |
| (40,639) | Other Long Term Liabilities | 21.3 | (47,282) |
| (159) | Capital Grants Receipts in Advance | 33 | (120) |
| (1,050) | Provisions | 39 | (1,274) |
| (4,820) | Long Term Borrowing | 43.2 | (4,680) |
| (46,668) | Long Term Liabilities | | (53,356) |
| 63,910 | Net Assets | | 59,461 |
| 33,254 | Usable Reserves | 23 | 36,026 |
| 30,656 | Unusable Reserves | 24 | 23,435 |
| 63,910 | Total Reserves | | 59,461 |

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

| 2012/13 £'000 | | Notes | 2013/14 £'000 |
|------------------|---|-------|------------------|
| 2,424 | Net (surplus) or deficit on the provision of services | | (3,588) |
| (14,193) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 25.1 | (3,383) |
| 6,347 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 25.2 | 5,289 |
| (5,422) | Net cash flows from operating Activities | | (1,682) |
| 2,139 | Investing Activities | 26 | 9,924 |
| (2,607) | Financing Activities | 27 | 1,266 |
| (5,890) | Net increase or decrease in cash and cash equivalents | | 9,508 |
| (8,492) | Cash and cash equivalents at the beginning of the reporting period | | (14,382) |
| (14,382) | Cash and cash equivalents at the end of the reporting period | 19 | (4,874) |

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

The reduction in the cash and cash equivalents is mainly as a result of the investment activities of £9.9m which results from a greater amount of the Council's cash being placed in investments which mature after more than one month after the balance sheet date.

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

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

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

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

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

1.5 Charges to Revenue for Non-Current Assets

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

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

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

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

1.6 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 in exchange for those benefits and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post Employment Benefits

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

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

Liabilities are discounted to their value at current prices, using a 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:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities 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;
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and

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

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

Discretionary Benefits

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

1.7 Events After the Reporting Period

Events 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.

1.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the 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).

1.9 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the 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.

Community Infrastructure Levy

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

1.10 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. The museum collection is being rationalised and is in the process of being moved to one central store, with access to the collection on- line and by appointment.

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.

1.11 Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the 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.

1.12 Interests in Companies and Other Entities

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

1.13 Inventories and Long Term Contracts

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

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

1.14 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, 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.

1.15 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.

1.16 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.

1.17 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 2013/14 (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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

1.23 Value Added Tax

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

2. Exceptional Item

The Civic Centre had a net book value at 31 March 2012 of approximately £15 million. In accordance with Local Authority accounting requirements, a full valuation (required every 5 years in accordance with requirements of the Code) has been carried out and as a result the valuation has been decreased to approximately £9.5 million, a reduction of £5.5 million.

The size of this reduction would distort the comparators year on year and is significant enough to be separately identified on the face of the Council's Income and Expenditure account and as a result has been treated as an exceptional item in 2012/13.

This decrease, while having a substantial impact on the Council's Income and Expenditure account, has no effect on the Council Tax Payers since in accordance with statute this charge to the Income and Expenditure account is not treated as a charge to the Council Tax Payers.

There are no exceptional items for 2013/14.

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

For 2013/14 the accounting policy changes which may apply and that should be reported are:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual improvements to IFRSs 2009 – 2011 cycle.

These changes may be implemented in the 2014/15 Code of Practice, but it is not anticipated that they would have a material impact on the Council's financial statements or the Council Tax Payer.

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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------------------------|--|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £47,000 for every year that useful lives had to be reduced. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £10,269,000. However, the assumptions interact in complex ways. A 1 year increase in member |

| | | |
|--|---|--|
| | Council with expert advice about the assumptions to be applied. | life expectancy would increase the liability by £3,695,000. Similarly a 0.5% increase in the salary rate or in the pension increase rate would increase the liability by £2,676,000 and £7,498,000 respectively. |
|--|---|--|

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 25 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

| 2012/13 | 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 | (2,349) | | | 2,349 |
| Revaluation losses on Property Plant and Equipment | (5,995) | | | 5,995 |
| Movements in the market value of Investment Properties | 0 | | | 0 |
| Amortisation of intangible assets | (255) | | | 255 |
| Revenue expenditure funded from capital under Statute | (1,033) | | | 1,033 |
| 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 | (2,897) | | | 2,897 |
| 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 | 4,623 | | | (4,623) |
| Adjustments primarily involving the Capital Grants Unapplied Account (note 24.3): | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 691 | | (691) | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 490 | | 739 | (1,229) |
| 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 | 5,191 | (5,191) | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 4,663 | | (4,663) |
| 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 | 267 | | | (267) |
| 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 | (2,885) | | | 2,885 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 2,347 | | | (2,347) |
| 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 | (132) | | | 132 |
| 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 | (8) | | | 8 |
| Total Adjustments | (1,517) | (530) | 48 | 1,999 |

| 2013/14 | Usable Reserves | | | |
|---|-------------------------------|-----------------------------------|-----------------------------------|----------------------------|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Unusable Reserves £'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 | (2,213) | | | 2,213 |
| Revaluation losses on Property Plant and Equipment | (1,726) | | | 1,726 |
| Movements in the market value of Investment Properties | (647) | | | 647 |
| Amortisation of intangible assets | (226) | | | 226 |
| Revenue expenditure funded from capital under Statute | (1,152) | | | 1,152 |
| 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 | (1) | | | 1 |
| 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 | 571 | | | (571) |
| Capital expenditure charged against the General Fund | 4,628 | | | (4,628) |
| Adjustments primarily involving the Capital Grants Unapplied Account (note 24.3): | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 3,362 | | (3,362) | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 639 | | 745 | (1,384) |
| 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 | 1,289 | (1,289) | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 1,062 | | (1,062) |
| 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 | | (3) | | 3 |
| 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 | 123 | | | (123) |
| 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 | (3,882) | | | 3,882 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 2,398 | | | (2,398) |
| Adjustments primarily involving the Collection Fund Adjustment Account (note 24.7): | | | | |
| Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from collection fund income calculated for the year in accordance with statutory requirements | 513 | | | (513) |
| 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 | (13) | | | 13 |
| Total Adjustments | 3,660 | (227) | (2,617) | (816) |

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2013/14.

| | Note | Balance at | Transfers In | Transfers Out | Balance at | Transfers In | Transfers Out | Balance at |
|--|------|---------------|--------------|----------------|---------------|--------------|----------------|---------------|
| | | 31 March 2012 | | | 31 March 2013 | | | 31 March 2014 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax Freeze Grant Reserve | a | 2,710 | 0 | 0 | 2,710 | 0 | (313) | 2,397 |
| Interest Equalisation | b | 2,313 | 0 | 0 | 2,313 | 0 | (300) | 2,013 |
| Planning Related Receipts (S106, SANGS and Tarriffs) | c | 1,777 | 122 | (83) | 1,816 | 381 | (64) | 2,133 |
| Revenue Contingency & Rent Risk Reserve | d | 1,575 | 0 | 0 | 1,575 | 0 | 0 | 1,575 |
| Strategic Reserve (LABGI) | e | 1,574 | 0 | (273) | 1,301 | 0 | (200) | 1,101 |
| Approved Carry Forward Requests | f | 884 | 1,036 | (884) | 1,036 | 1,103 | (1,036) | 1,103 |
| Corporate Restructure - Initiatives | g | 861 | 0 | (73) | 788 | 0 | (90) | 698 |
| Repairs and Maintenance | h | 500 | 375 | (151) | 724 | 0 | 0 | 724 |
| New Homes Bonus Reserve | i | 554 | 1,146 | (1,318) | 382 | 1,557 | (973) | 966 |
| Capital Expenditure | j | 685 | 768 | (578) | 875 | 0 | (302) | 573 |
| Elmbridge Civic Improvement Fund | k | 498 | 273 | (231) | 540 | 200 | (169) | 571 |
| Community Safety | l | 502 | 16 | 0 | 518 | 0 | (5) | 513 |
| Miscellaneous | m | 511 | 177 | (206) | 482 | 309 | (108) | 683 |
| Housing Reforms | n | 450 | 0 | 0 | 450 | 0 | (159) | 291 |
| Property & Land Related Income | o | 658 | 144 | (398) | 404 | 76 | (18) | 462 |
| Planning Delivery Grant | p | 374 | 0 | 0 | 374 | 0 | 0 | 374 |
| Performance Reward (LPSA) | q | 338 | 0 | 0 | 338 | 0 | (17) | 321 |
| Insurance | r | 267 | 0 | (32) | 235 | 0 | 0 | 235 |
| Strategic Reserve (PDG) | s | 737 | 0 | (737) | 0 | 0 | 0 | 0 |
| Property Acquisition Reserve | t | 0 | 842 | (842) | 0 | 743 | (743) | 0 |
| Business Rate Retention Scheme | u | 0 | 0 | 0 | 0 | 612 | (556) | 56 |
| Total Earmarked Revenue Reserves | | 17,768 | 4,899 | (5,806) | 16,861 | 4,981 | (5,053) | 16,789 |

Notes to Earmarked Reserves

| Note | |
|------|--|
| a | Established to mitigate the effect of the time limited funding from central government for freezing the council tax. |
| b | Set aside to protect the authority's annual budget in the event of in-year or between-year fluctuations in investment returns. |
| c | Receipts held as a result of the approval of planning consent, the funding must be used in accordance with the planning agreement. |
| d | To meet current and future contingency requirement and the revenue budget risks facing the authority. It will provide cover for rental income if it falls below the level assumed in the MTFS. |
| e | Fund received for growth in Business Rates used to reinvest in business related improvements. |
| f | To finance items included of a one of nature where budget provision has been made, but the expenditure will be incurred in the following financial year. |
| g | To meet staffing costs arising from Council reorganisations or restructures. |
| h | A reserve established to deal with emergency repairs and maintenance and dilapidation costs to council owned properties. |
| i | A reserve established from New Homes Bonus funding , received to provide incentives and rewards for Councils and Communities to build homes in their area. |
| j | Revenue sums held to finance capital expenditure. |
| k | Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement and regeneration of the borough. |
| l | Funds provided by the Home Office and held in respect of Crime and Disorder initiatives. |
| m | Miscellaneous funds, principally held in respect of bequests and donations to support the ongoing provision and maintenance of Centres for the Retired and the ongoing maintenance of graves. |
| n | Established to protect the Council's revenue accounts during the period of transition to Universal Credit and changes resulting from Welfare Reform. |
| o | Established for Land Charges and Building Control surplus income, which may be used to fund deficits arising for those services in future years in accordance with legislative requirements. |
| p | From a planning delivery grant to assist with the delivery of the Planning function. |
| q | Local Public Service Agreement funds used to fund projects of a one off nature. |
| r | Held in respect of future payments required for self insurance / premium excess payments. |
| s | 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. Consolidated into the Capital Expenditure Reserve at the end of 2012/13. |
| t | To use in the purchase of Investment Property Assets to provide increased revenue rental streams. Funding for the year was transferred from the New Homes Bonus Reserve. |
| u | Net surplus arising from the Business Rates Retention scheme introduced in 2013/14 retained by the Council to offset any future Business deficits attributable to the Council. |

9. Other Operating Expenditure

| 2012/13 | | 2013/14 |
|----------------|---|-----------|
| £'000 | | £'000 |
| 48 | Parish Council Precepts | 46 |
| 3 | Payment to the Government Housing Capital Receipts Pool | 3 |
| (1,588) | Gains/losses on the disposal of non-current assets | (7) |
| (1,537) | Total | 42 |

10. Financing and Investment Income and Expenditure

| 2012/13 | | 2013/14 |
|--------------|---|------------|
| £'000 | | £'000 |
| 123 | Interest payable and similar charges | 203 |
| 1,140 | Net interest on the net defined benefit liability | 1,779 |
| (1,348) | Interest receivable and similar income | (786) |
| (281) | Income and expenditure in relation to investment properties and changes in their fair value | (277) |
| (366) | Total | 919 |

11. Taxation and Non Specific Grant Income and Expenditure

| 2012/13 Net Expenditure £'000 | 2013/14 | | |
|--|-------------------------------|--------------------------|-----------------------------|
| | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| | (12,874) | - | (12,537) |
| (4,631) | 18,617 | (20,845) | (2,228) |
| (1,553) | - | (5,038) | (5,038) |
| (1,182) | - | (4,001) | (4,001) |
| (20,240) | 18,617 | (42,421) | (23,804) |

It is now a requirement to account for the Council's proportion of income and expenditure due to the introduction of the Business Rate Retention Scheme. See the Collection Fund for more information. The levy payment to the Government in 2013/14 of £556,192 is the proportion (50%) of the surplus attributable to the Council.

12. Property, Plant and Equipment

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

| Movements in 2012/13 | 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 2012 | 65,987 | 12,910 | 437 | 410 | 46 | 106 | 79,896 |
| Additions | 1,163 | 571 | - | - | - | 174 | 1,908 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (6,473) | - | - | - | - | - | (6,473) |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (5,969) | (26) | - | - | - | - | (5,995) |
| Derecognition - disposals | - | (1,745) | - | - | - | - | (1,745) |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - |
| Other movements in cost or valuation | 418 | 47 | - | - | - | (100) | 365 |
| At 31 March 2013 | 55,126 | 11,757 | 437 | 410 | 46 | 180 | 67,956 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2012 | (10,356) | (6,041) | (437) | (21) | (3) | - | (16,858) |
| Depreciation charge | (1,034) | (1,307) | - | (6) | (2) | - | (2,349) |
| Depreciation written out to the Revaluation Reserve | 6,494 | - | - | - | - | - | 6,494 |
| Impairment (losses)/reversals recognised in the Revaluation Reserve | - | - | - | - | - | - | - |
| Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services | - | - | - | - | - | - | - |
| Derecognition - disposals | - | 1,745 | - | - | - | - | 1,745 |
| Other movements in depreciation and impairment | - | - | - | - | - | - | - |
| At 31 March 2013 | (4,896) | (5,603) | (437) | (27) | (5) | - | (10,968) |
| Net Book Value | | | | | | | |
| At 31 March 2013 | 50,230 | 6,154 | - | 383 | 41 | 180 | 56,988 |
| At 31 March 2012 | 55,631 | 6,869 | - | 389 | 43 | 106 | 63,038 |

| Movements in 2013/14 | 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 2013 | 55,126 | 11,757 | 437 | 410 | 46 | 180 | 67,956 |
| Additions | 1,014 | 565 | - | - | - | 19 | 1,598 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (5,716) | - | - | - | - | - | (5,716) |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,726) | - | - | - | - | - | (1,726) |
| Derecognition - disposals | (83) | (29) | - | - | - | - | (112) |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - |
| Other movements in cost or valuation | (405) | 166 | - | - | 410 | (171) | - |
| At 31 March 2014 | 48,210 | 12,459 | 437 | 410 | 456 | 28 | 62,000 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2013 | (4,896) | (5,603) | (437) | (27) | (5) | - | (10,968) |
| Depreciation charge | (970) | (1,200) | - | (6) | (2) | - | (2,178) |
| Depreciation written out to the Revaluation Reserve | 1,509 | - | - | - | - | - | 1,509 |
| Impairment (losses)/reversals recognised in the Revaluation Reserve | 1,768 | - | - | - | - | - | 1,768 |
| Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services | (35) | - | - | - | - | - | (35) |
| Derecognition - disposals | 83 | 28 | - | - | - | - | 111 |
| Other movements in depreciation and impairment | 6 | - | - | - | (6) | - | - |
| At 31 March 2014 | (2,535) | (6,775) | (437) | (33) | (13) | - | (9,793) |
| Net Book Value | | | | | | | |
| At 31 March 2014 | 45,675 | 5,684 | - | 377 | 443 | 28 | 52,207 |
| At 31 March 2013 | 50,230 | 6,154 | - | 383 | 41 | 180 | 56,988 |

Depreciation

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

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

In 2013/14 the Council changed the remaining useful lives assigned to the following properties:

- Walton Playhouse decreased from 50 to 40 years (increased annual depreciation by £1,710)

- Walton Community Centre increased from 40 to 44 years (reduced annual depreciation by £711)
- Cemetery Buildings:
 - Weybridge Chapel decreased from 50 to 45 years (increased annual depreciation by £109)
 - Molesey Chapel decreased from 50 to 40 years (increased annual depreciation by £63)
 - Hersham Chapel decreased from 50 to 35 years (increased annual depreciation of £51)

These changes have had the overall financial effect of increasing the total annual depreciation for buildings from £968,628 to £969,850 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 the Investment Property valuations, which were undertaken by Graham Saunders MRICS and RICS Registered Valuer of Cushman & Wakefield LLP. 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 | 130 | 12,459 | 437 | 410 | - | 28 | 13,464 |
| Valued at fair value as at: | | | | | | | |
| 31 March 2014 | 7,015 | - | - | - | 456 | - | 7,471 |
| 31 March 2013 | 10,790 | - | - | - | - | - | 10,790 |
| 31 March 2012 | 24,507 | - | - | - | - | - | 24,507 |
| 31 March 2011 | 4,298 | - | - | - | - | - | 4,298 |
| 31 March 2010 | 1,470 | - | - | - | - | - | 1,470 |
| Total Cost or Valuation | 48,210 | 12,459 | 437 | 410 | 456 | 28 | 62,000 |

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 2012 | 520 | 683 | 64 | 22 | 1,289 |
| Additions | - | - | - | 1 | 1 |
| Disposals | - | - | - | - | - |
| Revaluations | - | 1 | - | (1) | - |
| 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 2013 | 520 | 684 | 64 | 22 | 1,290 |
| Cost / Valuation | | | | | |
| At 1 April 2013 | 520 | 684 | 64 | 22 | 1,290 |
| Additions | - | - | - | 2 | 2 |
| Disposals | - | - | - | - | - |
| Revaluations | - | - | - | - | - |
| Impairment (losses)/reversals recognised in the Revaluation Reserve | - | (7) | - | - | (7) |
| Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| At 31 March 2014 | 520 | 677 | 64 | 24 | 1,285 |

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. During 2013/14 the Walton Memorial was damaged by a vehicle. At 31 March the repair work was still outstanding and therefore an impairment has been applied to its value.

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: The increase in income being due to the full year rentals of properties purchased in 2012/13 and one quarter rent for the two properties purchased in 2013/14.

| | 2012/13 | 2013/14 |
|--|------------|------------|
| | £'000 | £'000 |
| Rental income from investment property | 413 | 982 |
| Direct operating expenses arising from investment property | (132) | (58) |
| Net gain/(loss) | 281 | 924 |

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. Two properties with a combined book value of £2,250,000 have not been re-valued since 2011 and as a result the accounts are not compliant with the CIPFA Code of Practice. From 2014/15 all property held for investment purposes will be re-valued on an annual basis. During 2013/14 the Council purchased Albany House and The Old Post Office, both in Esher. During 2013/14 the rental streams from these properties generated a higher rate of return than investing surplus funds in the money market.

| | 2012/13 | 2013/14 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Balance at start of the year | 4,699 | 15,241 |
| Additions: | | |
| Purchases | 10,908 | 3,899 |
| Net gains (losses) from fair value adjustments | - | (647) |
| Transfers: | | |
| to/from Property, Plant and Equipment | (366) | - |
| Other changes | - | - |
| Balance at end of the year | 15,241 | 18,493 |

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 £226,000 charged to revenue in 2013/14 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:

| | 2012/13 £'000 | 2013/14 £'000 |
|--|------------------|------------------|
| Balance at start of year: | | |
| Gross carrying amounts | 3,182 | 3,285 |
| Accumulated amortisation | (2,047) | (2,240) |
| Net carrying amount at start of year | 1,135 | 1,045 |
| Additions: | | |
| Purchases | 165 | 424 |
| Other disposals | (62) | - |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | - | - |
| Amortisation for the period | (255) | (226) |
| Other charges | 62 | - |
| Net carrying amount at end of year | 1,045 | 1,243 |
| Comprising: | | |
| Gross carrying amounts | 3,285 | 3,709 |
| Accumulated amortisation | (2,240) | (2,466) |
| | 1,045 | 1,243 |

16. Financial Instruments

Categories of Financial Instruments

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

| | Long-term | | Current | |
|---|------------------|------------------|------------------|------------------|
| | 2012/13 £'000 | 2013/14 £'000 | 2012/13 £'000 | 2013/14 £'000 |
| Investments | | | | |
| Loans and receivables* | 5,046 | 7,030 | 27,250 | 32,128 |
| Total investments | 5,046 | 7,030 | 27,250 | 32,128 |
| Debtors | | | | |
| Loans and receivables | 614 | 731 | - | - |
| Financial assets carried at contract amounts | - | - | 18,469 | 11,706 |
| Total debtors | 614 | 731 | 18,469 | 11,706 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | 4,820 | 4,680 | 140 | 140 |
| Total borrowings | 4,820 | 4,680 | 140 | 140 |
| Other Long Term Liabilities | | | | |
| Finance lease liabilities | 933 | 502 | | |
| Total other long term liabilities | 933 | 502 | | |
| Creditors | | | | |
| Financial liabilities at amortised cost | 159 | 120 | | |
| Financial liabilities at carried contract amounts | - | - | 15,441 | 7,015 |
| Total creditors | 159 | 120 | 15,441 | 7,015 |

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

Income, Expense, Gains and Losses

| | 2012/13 | | | 2013/14 | | |
|---|--|---|----------------|--|---|----------------|
| | 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 | 123 | - | 123 | 203 | - | 203 |
| Impairment losses | - | 112 | 112 | - | (832) | (832) |
| Total expense in Surplus or Deficit on the Provision of Services | 123 | 112 | 235 | 203 | (832) | (629) |
| Interest income | - | (1,348) | (1,348) | - | (786) | (786) |
| Total income in Surplus or Deficit on the Provision of Services | - | (1,348) | (1,348) | - | (786) | (786) |
| Net (gain)/loss for the year | 123 | (1,236) | (1,113) | 203 | (1,618) | (1,415) |

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:

- estimated ranges of interest at 31 March 2014 of 2.90% to 3.17% applies to loans from PWLB, and 1.45% to 1.63% 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 are calculated as follows:

| | 2012/13 | | 2013/14 | |
|-----------------------|-----------------------------|------------------------|-----------------------------|------------------------|
| | Carrying amount £'000 | Fair value £'000 | Carrying amount £'000 | Fair value £'000 |
| Financial liabilities | 15,441 | 15,441 | 7,015 | 7,015 |
| Long-term creditors | 5,912 | 6,599 | 5,302 | 5,535 |

The fair value of long-term creditors is higher than the carrying amount because the rate payable on the Council's PWLB loans is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

| | 2012/13 | | 2013/14 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £'000 | £'000 | £'000 | £'000 |
| Loans and receivables | 45,719 | 45,719 | 43,834 | 43,834 |
| Long term debtors | 5,660 | 5,903 | 7,761 | 7,939 |

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 2014) attributable to the commitment to receive interest above current market rates.

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

17. Inventories

The value of inventories held at 31 March 2014 was £127,647 (31 March 2013 £74,644).

18. Debtors (Short and Long Term Debtors)

| 2012/13 | 2013/14 |
|-----------------------------------|------------|
| £'000 | £'000 |
| Long Term Debtors | |
| 3 Sale of (former) Council Houses | - |
| 4 House Purchases | 2 |
| 607 Mortgages (Catalyst Housing) | 729 |
| 614 | 731 |

| 2012/13 | 2013/14 |
|-------------------------------|--------------|
| £'000 | £'000 |
| Debtors | |
| 150 Payments in Advance | 210 |
| 603 Central Government Bodies | 1,848 |
| 1,577 Other Local Authorities | 1,187 |
| 3,828 Sundry Debtors | 5,546 |
| 6,158 | 8,791 |

The Council was due to receive £1.2m from the DWP at the 31 March 2014, which was a creditor in 2012/13. The increase in Sundry Debtors is mainly due to amounts owed to the Council for Business Rates and Housing Benefits.

| 2012/13 | 2013/14 |
|-----------------------------|----------------|
| £'000 | £'000 |
| Impairments | |
| - Central Government Bodies | - |
| - Other Local Authorities | - |
| (1,670) Sundry Debtors | (1,260) |
| (1,670) | (1,260) |

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|----------------------------------|------------------|
| | Debtors after Impairments | |
| 150 | Payments in Advance | 210 |
| 603 | Central Government Bodies | 1,848 |
| 1,577 | Other Local Authorities | 1,187 |
| 2,158 | Sundry Debtors | 4,286 |
| 4,488 | | 7,531 |

19. Cash and Cash Equivalents

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

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|---|------------------|
| 1 | Cash held by the Authority | 1 |
| 265 | Bank current accounts | (312) |
| 14,116 | Short-term deposits with banks and building societies | 5,185 |
| 14,382 | Total Cash and Cash Equivalents | 4,874 |

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

20. Assets held for sale

| | 2012/13 £'000 | 2013/14 £'000 |
|---|------------------|------------------|
| Balance Outstanding at start of the year | 2,897 | - |
| Assets newly classified as held for sale: | - | - |
| Assets declassified as held for sale: | - | - |
| Assets sold | (2,897) | - |
| Balance outstanding at year-end | - | - |

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.

21 Creditors

21.1 Short Term Creditors

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--------------------------------|------------------|
| 5,735 | Central Government Departments | 2,234 |
| 4,773 | Other Local Authorities | 5,863 |
| 4,517 | Other entities and individuals | 3,487 |
| 676 | Receipts in advance | 1,108 |
| 15,701 | | 12,692 |

The main reasons for the decrease in creditors is a result of the localisation of Business Rates £1.0million (in 2012/13 £3.2million was owed to the NDR Pool, in 2013/14 £2.2million is owed to SCC and Central Government), and the inclusion of £0.4million for receipts in advance in relation to Business Rates. The Council was also due to pay £2.1million to DWP at 31 March 2013 but for 2013/14 is due reimbursement (debtor) from DWP.

21.2 Short Term Loans

In 2012/13 the Council borrowed £3,500,000 from the PWLB over 25 years. The repayment terms requires the repayment by equal instalments of principal. The short term loan of £140,000 in 2013/14 is the element of the principal repayment required in 2014/15.

21.3 Other Long Term Liabilities

| 2012/13 | | 2013/14 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 933 | Finance lease liability | 502 |
| 39,706 | Liability relating to defined benefit pension scheme | 46,780 |
| 40,639 | | 47,282 |

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 (Note 33) – holds the balance of grants received where the conditions of grant entitlement have not yet been met. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the Comprehensive Income & Expenditure Statement as entitlement allows.

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

| | 2012/13 | 2013/14 |
|------------------------------|---------------|---------------|
| | £'000 | £'000 |
| General Fund | 4,000 | 4,000 |
| Earmarked Reserves | 16,861 | 16,789 |
| Capital Receipts Reserve | 9,368 | 9,595 |
| Capital Grants Unapplied | 3,025 | 5,642 |
| Total Usable Reserves | 33,254 | 36,026 |

The main reason for the increase in Capital Grants Unapplied relates to the receipt in the year of funds as a result of the introduction of the Community Infrastructure Levy (£1.6 million) and planning related receipt in relation to affordable housing (£1.1 million).

24. Unusable Reserves

24.1 Analysis of Unusable Reserves

| | 2011/12 | 2012/13 | 2013/14 |
|------------------------------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 |
| Revaluation reserve | 14,194 | 12,324 | 9,667 |
| Capital adjustment account | 57,075 | 57,383 | 59,273 |
| Pensions reserve | (36,315) | (39,706) | (46,780) |
| Deferred capital receipts reserve | 347 | 609 | 729 |
| Collection Fund adjustment account | 351 | 219 | 732 |
| Accumulated absences account | (165) | (173) | (186) |
| Total Unusable Reserves | 35,487 | 30,656 | 23,435 |

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.

| 2012/13 | | 2013/14 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 14,194 | Balance at 1 April | 12,324 |
| 357 | Upward revaluation of assets | 933 |
| (336) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (3,380) |
| 21 | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (2,447) |
| (191) | Difference between fair value depreciation and historical cost depreciation | (210) |
| (1,700) | Accumulated gains on assets sold or scrapped | - |
| (1,891) | Amount written off to the Capital Adjustment Account | (210) |
| 12,324 | Balance at 31 March | 9,667 |

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.

| 2012/13 £'000 | 2013/14 £'000 |
|--|------------------|
| 57,075 Balance at 1 April | 57,383 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (2,349) Charges for depreciation and impairment of non current assets | (2,213) |
| (5,995) Revaluation losses on Property, Plant and Equipment | (1,726) |
| (255) Amortisation of intangible assets | (226) |
| (1,033) Revenue expenditure funded from capital under statute | (1,152) |
| (2,897) 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 | (1) |
| 44,546 | 52,065 |
| 1,891 Adjusting amounts written out of the Revaluation Reserve | 210 |
| 46,437 Net written out amount of the cost of non-current assets consumed in the year | 52,275 |
| Capital financing applied in the year: | |
| 4,663 Use of the Capital Receipts Reserve to finance new capital expenditure | 1,062 |
| 490 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 639 |
| 739 Application of grants to capital financing from the Capital Grants Unapplied Account | 745 |
| 431 Statutory provision for the financing of capital investment charged against the General Fund | 571 |
| 4,623 Capital expenditure charged against the General Fund Balance | 4,628 |
| 10,946 | 7,645 |
| - Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (647) |
| - Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | - |
| 57,383 Balance at 31 March | 59,273 |

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 2012/13 or 2013/14, 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.

| 2012/13 | 2013/14 |
|---|-----------------|
| £'000 | £'000 |
| (36,315) Balance at 1 April | (39,706) |
| (2,853) Actuarial gains or losses on pensions assets and liabilities | - |
| - Remeasurement of the net defined benefit liability * | (5,590) |
| (2,885) 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 ** | (3,882) |
| 2,347 Employer's pensions contributions and direct payments to pensioners payable in the year | 2,398 |
| (39,706) Balance at 31 March | (46,780) |

The table above reflects disclosure requirements for 2013/14 implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest costs in relation to current service costs, and administration costs directly related to the management of plan assets. The changes are not material, and have no impact on the balance sheet disclosures relating to pensions. Accordingly, the primary statements and comparatives have not been restated. The 2012/13 comparatives under the IAS19 (revised) would have been: * (£2,264,000) ** (£3,474,000) – see Note 40.2 for further detail.

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.

| 2012/13 | 2013/14 |
|--|----------------|
| £'000 | £'000 |
| 347 Balance at 1 April | 609 |
| 267 Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 123 |
| (5) Transfer to the Capital Receipts Reserve upon receipt of cash | (3) |
| 609 Balance at 31 March | 729 |

During 2013/14 the Council provided Catalyst Housing Limited with £123,000 (£267,000 in 2012/13) 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 and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|---|------------------|
| 351 | Balance at 1 April | 219 |
| (132) | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements* | 513 |
| 219 | Balance at 31 March | 732 |

*At 31 March 2013 the balance only related to a Council Tax surplus. At 31 March 2014 the balance relates to both Council Tax and retained Business Rates.

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.

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| (165) | Balance at 1 April | (173) |
| 165 | Settlement or cancellation of accrual made at the end of the preceding year | 173 |
| (173) | Amounts accrued at the end of the current year | (186) |
| (8) | 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 | (13) |
| (173) | Balance at 31 March | (186) |

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|---|------------------|
| (1,367) | Interest received | (1,030) |
| 123 | Interest paid | 203 |
| (1,244) | Net cash flows from operating activities | (827) |

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

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| (2,349) | Depreciation | (2,178) |
| (5,995) | Impairment and downward revaluations | (1,768) |
| (255) | Amortisation | (226) |
| (116) | Impairment for provision for bad debts | 410 |
| (1,014) | Creditors | 1,875 |
| 75 | Debtors | 1,952 |
| (8) | Inventories | 52 |
| (538) | Pensions liability | (1,484) |
| (2,897) | Carrying amount of non-current assets sold | 7 |
| (1,096) | Other non-cash items charged | (2,023) |
| (14,193) | Adjustments for non-cash movements | (3,383) |

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

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| 4,485 | Proceeds from sale of property, plant & equipment, investment properties & intangibles | - |
| 714 | Proceeds from sale of former council houses | 1,163 |
| - | Proceeds from non-sale transactions | 125 |
| 1,148 | Capital grants receivable | 4,001 |
| 6,347 | Adjustments for items which are investing and financing activities | 5,289 |

26. Cash Flow Statement – Investing Activities

| 2012/13 £'000 | | 2013/14 £'000 |
|------------------|--|------------------|
| 12,953 | Purchase of property, plant and equipment, investment property and intangible assets | 6,362 |
| - | Purchase of short-term and long-term investments | 7,000 |
| 1,300 | Other payments for investing activities | 1,275 |
| (4,498) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (6) |
| (6,000) | Proceeds from short-term and long-term investments | - |
| (1,616) | Other receipts from investing activities | (4,707) |
| 2,139 | Net cash flows from investing activities | 9,924 |

27. Cash Flow Statement – Financing Activities

| 2012/13 £'000 | 2013/14 £'000 |
|---|------------------|
| (3,500) Cash receipts of short- and long-term borrowing | - |
| (504) Other receipts from financing activities | - |
| 430 Cash payments for the reduction of the outstanding liabilities relating to finance leases | 431 |
| 40 Repayments of short- and long-term borrowing | 140 |
| 927 Other payments for financing activities | 695 |
| (2,607) Net cash flows from financing activities | 1,266 |

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)

| 2012/13 Portfolio | Original | | Variance to Original | |
|---|---------------|---------------|----------------------|-------------|
| | Budget | Actual | Budget | % |
| | £'000 | £'000 | £'000 | |
| Community Development | 448 | 433 | (15) | (3) |
| Corporate Development | 1,942 | 1,933 | (9) | (0) |
| Environment and Economy | 5,814 | 5,610 | (204) | (4) |
| Highways and Transport | (501) | (789) | (288) | - |
| Housing | 1,856 | 1,498 | (358) | (19) |
| Leisure and Culture | 4,530 | 4,340 | (190) | (4) |
| Licensing Committee | 249 | 154 | (95) | (38) |
| Regulatory Affairs | 572 | 492 | (80) | (14) |
| Resources | 2,779 | 1,757 | (1,022) | (37) |
| Social | 2,437 | 2,350 | (87) | (4) |
| Planning Committee | 1,452 | 1,126 | (326) | (22) |
| | 21,578 | 18,904 | (2,674) | (12) |
| Asset Rentals | (1,860) | (1,860) | - | - |
| Interest on Balances | (1,209) | (1,363) | (154) | (13) |
| Contribution From Interest Equalisation Reserve | (566) | - | 566 | 100 |
| Purchase of Investment Property | - | 4,060 | 4,060 | - |
| New Homes Bonus | (1,247) | (1,146) | 101 | 8 |
| Council Tax Freeze Grant | (313) | (318) | (5) | (2) |
| Transfer to New Homes Bonus Reserve | 1,247 | 1,146 | (101) | 8 |
| To / (from) Earmarked Funds | (14) | (1,832) | (1,818) | (12,986) |
| Capital Financing | 61 | 86 | 25 | 41 |
| | 17,677 | 17,677 | - | - |

| 2012/13 Subjective Analysis | Directorate Analysis £'000 | Corporate Amounts £'000 | Total £'000 |
|--|---|--|------------------------|
| Fees & Charges | (13,334) | - | (13,334) |
| Interest and Investment Income | (1,761) | - | (1,761) |
| Income from Council Tax (Including Formula Grant) | - | (17,594) | (17,594) |
| Govt Grants & Contributions | (47,670) | (1,181) | (48,851) |
| Total Income | (62,765) | (18,775) | (81,540) |
| Employee Expenses | 9,546 | 546 | 10,092 |
| Other Service Expenses | 63,619 | - | 63,619 |
| Support Service Recharges | 7,154 | - | 7,154 |
| Depreciation, Amortisation and Impairment | - | 4,578 | 4,578 |
| Interest Payments | 123 | - | 123 |
| Precepts & Levies | - | 48 | 48 |
| Payments to Housing Capital Receipts Pool | - | 3 | 3 |
| Gain or Loss on Disposal of Fixed Assets | - | (2,560) | (2,560) |
| Transfer to / (from) Earmarked Reserves | - | 907 | 907 |
| Total Expenditure | 80,442 | 3,522 | 83,964 |
| Surplus or Deficit on Provision of Services | 17,677 | (15,253) | 2,424 |

| 2013/14 Portfolio | Original Budget £'000 | Actual £'000 | Variance to Original Budget | |
|---|--------------------------------------|-------------------------|--|-------------|
| | | | £'000 | % |
| Community Development | 472 | 476 | 4 | 1 |
| Corporate Development | 2,235 | 2,129 | (106) | (5) |
| Environment and Economy | 5,770 | 5,654 | (116) | (2) |
| Highways and Transport | (859) | (1,119) | (260) | - |
| Housing | 2,095 | 1,029 | (1,066) | (51) |
| Leisure and Culture | 4,656 | 3,908 | (748) | (16) |
| Licensing Committee | 212 | 152 | (60) | (28) |
| Regulatory Affairs | 622 | 539 | (83) | (13) |
| Resources | 2,369 | 590 | (1,779) | (75) |
| Social | 2,473 | 2,323 | (150) | (6) |
| Planning Committee | 1,496 | 1,238 | (258) | (17) |
| | 21,541 | 16,919 | (4,622) | (21) |
| Asset Rentals | (2,257) | (2,257) | - | - |
| Interest on Balances | (836) | (795) | 41 | 5 |
| Contribution From Interest Equalisation Reserve | (791) | (300) | 491 | 62 |
| Purchase of Investment Property | - | 3,130 | 3,130 | - |
| New Homes Bonus | (1,540) | (1,557) | (17) | (1) |
| Transfer from Council Tax Freeze Grant Reserve | (313) | (313) | - | - |
| Transfer to New Homes Bonus Reserve | 1,540 | 1,557 | 17 | 1 |
| To / (from) Earmarked Reserves | (84) | 873 | 957 | - |
| Capital Financing | 303 | 306 | 3 | 1 |
| | 17,563 | 17,563 | - | - |

| 2013/14 Subjective Analysis | Directorate Analysis £'000 | Corporate Amounts £'000 | Total £'000 |
|---|----------------------------------|-------------------------------|-----------------|
| Fees & Charges | (15,194) | - | (15,194) |
| Interest and Investment Income | (1,768) | - | (1,768) |
| Income from Collection Fund (Including Formula Grant) | - | (36,439) | (36,439) |
| Govt Grants & Contributions | (41,993) | (4,301) | (46,294) |
| Total Income | (58,955) | (40,740) | (99,695) |
| Employee Expenses | 10,019 | 1,497 | 11,516 |
| Other Service Expenses | 59,067 | (4,552) | 54,515 |
| Support Service Recharges | 7,229 | - | 7,229 |
| Depreciation, Amortisation and Impairment | - | 5,317 | 5,317 |
| Interest Payments | 203 | - | 203 |
| Precepts & Levies | - | 18,663 | 18,663 |
| Payments to Housing Capital Receipts Pool | - | 3 | 3 |
| Gain or Loss on Disposal of Fixed Assets | - | (1,411) | (1,411) |
| Transfer to / (from) Earmarked Reserves | - | 72 | 72 |
| Total Expenditure | 76,518 | 19,589 | 96,107 |
| Surplus or Deficit on Provision of Services | 17,563 | (21,151) | (3,588) |

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

| | 2012/13 £'000 | 2013/14 £'000 |
|--|------------------|------------------|
| Net Expenditure | 17,677 | 17,563 |
| Funded from Council Tax (Including Formula Grant) | (17,677) | (17,563) |
| Transfer to Earmarked Reserves (Movement on Reserves Statement) | 907 | 72 |
| Adjustment between Accounting Basis and Funding Basis (Movement on Reserves Statement) | 1,517 | (3,660) |
| Surplus on the Provision of Services | 2,424 | (3,588) |

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 | |
|---|---------------------------|------------------|---------------------------|------------------|--------------------------|------------------|
| | 2012/13 £'000 | 2013/14 £'000 | 2012/13 £'000 | 2013/14 £'000 | 2012/13 £'000 | 2013/14 £'000 |
| Expenditure incurred in providing services to SCC | 473 | 495 | 226 | 219 | 28 | 15 |
| Income received relating to services (Car Parking only) | (610) | (696) | - | - | - | - |
| Management fee payable by SCC | - | - | (187) | (184) | (36) | (40) |
| Transfer of surplus share to SCC (Car Parking only) | 89 | 161 | - | - | - | - |
| Net (surplus)/deficit arising on the agency agreements | (48) | (40) | 39 | 35 | (8) | (25) |

* The agency arrangement with SCC for Car parking was revised for 2013/14 whereby 80% of any net surplus made on the account is transferred to SCC.

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, Performance and Finance panel, and to the leaders of political groups.

Payments to all Members of the Council in 2013/14 amounted to £373,180 of which £17,040 related to expenses (2012/13 - £372,183 of which £16,215 expenses).

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

31. Officers' Emoluments

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

| Number of Employees (excluding pensions) | Remuneration Band | Number of Employees (excluding pensions) |
|--|---------------------|--|
| 2012/13 | | 2013/14 |
| 11 | £50,000 - £54,999 | 9 |
| 2 | £55,000 - £59,999 | 4 |
| 2 | £60,000 - £64,999 | 2 |
| 1 | £65,000 - £69,999 | 1 |
| 7 | £70,000 - £74,999 | 7 |
| 1 | £75,000 - £79,999 | - |
| - | £80,000 - £84,999 | - |
| - | £85,000 - £89,999 | 1 |
| 1 | £90,000 - £94,999 | 1 |
| 1 | £95,000 - £99,999 | 1 |
| - | £100,000 - £104,999 | - |
| - | £105,000 - £109,999 | - |
| - | £110,000 - £114,999 | 1 |
| 1 | £115,000 - £119,999 | - |
| - | £120,000 - £124,999 | - |
| - | £125,000 - £129,999 | - |
| - | £130,000 - £134,999 | - |
| 1 | £135,000 - £139,999 | 1 |
| - | £140,000 - £144,999 | - |
| - | £145,000 - £149,999 | - |
| - | £150,000 - £154,999 | - |
| - | £155,000 - £159,999 | - |
| - | £160,000 - £164,999 | - |

The employee shown in band £90,000 - £94,999 undertook an additional role for Surrey County Council during 2013/14. Approximately £48,000 of the cost to the Council is reimbursed by Surrey County Council. The arrangement with Surrey County Council has been terminated.

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

2013/14 Elmbridge Borough Council

| Post Holder Information | Salary (including fees & allowances) | Elections * | Bonuses | Expenses Allowances | Compensation for loss of office | Other Benefits | Total remuneration excluding Pension Contributions | Pension Contributions | Total remuneration including Pension Contributions 2013/14 |
|--|---|--------------------|----------------|----------------------------|--|-----------------------|---|------------------------------|---|
| Chief Executive (Head of Paid Service) | 125,133.96 | 3,682.85 | 0.00 | 7,401.37 | 0.00 | | 136,218.18 | 18,169.86 | 154,388.04 |
| Strategic Director - Resources & Deputy Chief Executive (S151 Officer) | 103,170.96 | 2,830.00 | 0.00 | 7,548.80 | 0.00 | 998.06 | 114,547.82 | 15,104.52 | 129,652.34 |
| Strategic Director - Services | 91,389.00 | 1,103.49 | 0.00 | 6,686.73 | 0.00 | | 99,179.22 | 13,251.36 | 112,430.58 |
| Head of Legal Services (Monitoring Officer) | 67,632.00 | 0.00 | 0.00 | 6,089.86 | 0.00 | 50.00 | 73,771.86 | 9,961.77 | 83,733.63 |
| | 387,325.92 | 7,616.34 | 0.00 | 27,726.76 | 0.00 | 1,048.06 | 423,717.08 | 56,487.51 | 480,204.59 |

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2012/13 Elmbridge Borough Council

Comparative data

| Post Holder Information | Salary (including fees & allowances) | Elections * | Bonuses | Expenses Allowances | Compensation for loss of office | Other Benefits | Total remuneration excluding Pension Contributions | Pension Contributions | Total remuneration including Pension Contributions 2012/13 |
|---|---|--------------------|----------------|----------------------------|--|-----------------------|---|------------------------------|---|
| Chief Executive (Head of Paid Service) | 122,982.00 | 6,964.96 | 0.00 | 7,761.27 | 0.00 | 0.00 | 137,708.23 | 17,844.31 | 155,552.54 |
| Strategic Director - Resources (S151 Officer) | 101,397.00 | 5,775.00 | 0.00 | 7,375.40 | 0.00 | 1,152.26 | 115,699.66 | 14,862.39 | 130,562.05 |
| Strategic Director - Services | 89,817.00 | 2,375.00 | 0.00 | 7,046.17 | 0.00 | 0.00 | 99,238.17 | 13,023.48 | 112,261.65 |
| Head of Legal Services (Monitoring Officer) | 66,468.96 | 0.00 | 0.00 | 6,179.70 | 0.00 | 1,102.26 | 73,750.92 | 9,797.82 | 83,548.74 |
| | 380,664.96 | 15,114.96 | 0.00 | 28,362.54 | 0.00 | 2,254.52 | 426,396.98 | 55,528.00 | 481,924.98 |

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

32. External Audit Costs

In 2013/14 Elmbridge Borough Council incurred the following fees relating to external audit and inspection.

| 2012/13 | | 2013/14 |
|---------------|---|---------------|
| £ | Audit/Inspection Area | £ |
| 67,260 | Total Audit and Use of Resources / VFM Conclusion | 67,260 |
| 17,300 | Grant Certification | 13,600 |
| 84,560 | Total | 80,860 |

The 2013/14 grant certification fee has reduced because there is no longer a requirement for auditors to certify the Business Rates return.

33. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14.

| | 2012/13 | 2013/14 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Credited to Taxation and Non Specific Grant Income | | |
| Government Formula Grant | (90) | (3,057) |
| Capital Grants | (1,148) | (4,001) |
| Contribution From NDR Pool | (4,631) | 0 |
| EBC proportion of total business rates collectable for the year* | 0 | (20,845) |
| Collection Fund Surplus Account | (98) | (240) |
| Precept on Collection Fund | (12,775) | (12,297) |
| Council Tax Freeze Grant | (318) | 0 |
| New Homes Bonus | (1,146) | (1,557) |
| Other Grants | 0 | (424) |
| Total | (20,206) | (42,421) |
| Credited to Services | | |
| Housing and Council Tax Benefit Subsidy | (45,890) | (39,851) |
| NDR Cost of Collection | (185) | (183) |
| Other Grants | (130) | (572) |
| Total | (46,205) | (40,606) |

* The proportion is before the application of a Tariff (£18m) and the levy (£556,000), both payable to Central Government.

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:

| 2012/13 | | 2013/14 |
|--|--|------------|
| £'000 | | £'000 |
| Capital Grant Receipts in Advance | | |
| 134 | Section 106 Contributions to provide Childrens Play Spaces | 112 |
| 25 | Section 106 Contributions to Other Projects | 8 |
| 159 | Total | 120 |

34. Related Party Transactions

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

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

| 2012/13 | | 2013/14 |
|------------|---|------------|
| £ | | £ |
| 15,156,906 | Paragon Community Housing Group | 15,565,055 |
| 815,653 | A2 Housing | 852,019 |
| 195,870 | Castle Wildish | 206,113 |
| 136,682 | Walton, Weybridge & Hersham CAB | 126,173 |
| 98,517 | Esher & District CAB | 93,517 |
| 33,230 | Claygate Recreation Ground Trust | 33,230 |
| 24,180 | CHEER | 25,680 |
| 23,541 | Voluntary Action Elmbridge | 23,196 |
| 20,300 | Riverhouse Barn | 22,160 |
| 25,500 | Elmbridge Rentstart | 20,500 |
| 15,728 | Local Government Association | 18,201 |
| 7,924 | South East Employers | 11,121 |
| 11,750 | Relate - West Surrey | 8,950 |
| - | St Mary's Community Hall | 7,850 |
| 6,570 | Oxshott Heath Conservators | 6,570 |
| 5,945 | St Nicholas Church | 5,900 |
| 10,000 | Home Start Elmbridge | 3,000 |
| 9,500 | Molesey Dittons Household Services | 3,000 |
| 6,100 | The Counselling Partnership | 3,000 |
| 7,100 | Mediation North Surrey | 2,100 |
| 3,527 | Walton Business Group | 1,355 |
| 1,883 | Family Line Surrey | 1,225 |
| - | Thames Ditton Foundation | 1,000 |
| 41,121 | Long Ditton Parochial Church Council | 881 |
| 200 | Elmbridge Multifaith Forum | 800 |
| - | Claygate In Bloom | 400 |
| 5,620 | Hersham Youth Trust | 310 |
| - | Claygate Allotment Holders Association | 300 |
| 455 | Claygate Village Youth Club Association | 230 |
| 365 | Long Ditton Village Hall | 185 |
| 261 | Cranmere Primary School Esher | 130 |
| 100 | Walton on Thames Parochial Church Council | 128 |
| 438 | Vera Fletcher Hall Association | 92 |
| 5,000 | Lower Mole Countryside Management Project | - |
| 5,000 | The Parochial Church Council | - |
| 2,726 | Brooklands Museum Trust Ltd | - |
| 2,378 | Hersham In Bloom | - |
| 1,111 | Esher College | - |
| 695 | Long Ditton Youth Project | - |
| 500 | Elmbridge Sports Council | - |

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 2014, 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:

| 2012/13 | 2013/14 |
|----------------------------------|----------------|
| £ | £ |
| 503,633 King George's Hall | 516,596 |
| 143,450 Mayor of Elmbridge Trust | 143,171 |
| 96 Cyril Harvey Trust | 96 |
| 647,179 Total | 659,863 |

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 George's 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. |
| Cyril Harvey Trust | Dormant, residual amount. |

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.

| | 2012/13 | 2013/14 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Opening Capital Financing Requirement | 1,793 | 4,862 |
| Capital investment | | |
| Property, Plant and Equipment | 1,909 | 1,598 |
| Heritage Assets | - | 2 |
| Investment Properties | 10,908 | 3,899 |
| Intangible Assets | 165 | 424 |
| Revenue Expenditure Funded from Capital under Statute | 1,033 | 1,152 |
| Sources of finance | | |
| Capital Receipts | (4,663) | (1,062) |
| Government Grants and Other Contributions | (1,229) | (1,385) |
| Sums set aside from revenue: | | |
| Direct revenue contributions | (4,623) | (4,628) |
| MRP/loans fund principal | (431) | (571) |
| Closing Capital Financing Requirement | 4,862 | 4,291 |
| Explanation of movements in year | | |
| Increase in underlying need to borrowing (supported by government financial assistance) | - | - |
| Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance) | 3,069 | (571) |
| Increase/(decrease) in Capital Financing Requirement | 3,069 | (571) |

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:

| | 2012/13 | 2013/14 |
|----------|---------|---------|
| | £'000 | £'000 |
| Vehicles | 1,364 | 933 |

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.

| | 2012/13 | 2013/14 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Finance lease liabilities (net present value of minimum lease payments) | | |
| - current | 430 | 431 |
| - non-current | 933 | 502 |
| Finance costs payable in future years | 118 | 80 |
| Minimum lease payments | 1,481 | 1,013 |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|------------------------|--------------|---------------------------|------------|
| | 2012/13 | 2013/14 | 2012/13 | 2013/14 |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 468 | 468 | 431 | 431 |
| Later than one year and not later than five years | 1,013 | 545 | 933 | 502 |
| Later than five years | - | - | - | - |
| | 1,481 | 1,013 | 1,364 | 933 |

Operating Leases

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

| | 2012/13 | 2013/14 |
|---|------------|------------|
| | £000 | £000 |
| Not later than one year | 134 | 138 |
| Later than one year and not later than five years | 536 | 402 |
| Later than five years | 0 | 0 |
| | 670 | 540 |

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £146,000 (£143,000 in 2012/13) for the minimum lease payments.

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:

| | 2012/13 | 2013/14 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Not later than one year | 808 | 1,415 |
| Later than one year and not later than five years | 2,032 | 3,746 |
| Later than five years | 1,836 | 2,495 |
| | 4,676 | 7,656 |

37. Impairment Losses

During 2013/14 the Council has recognised the following impairment losses, there were no impairment losses in 2012/13:

- Cowey Sale Public Convenience – as this property has been demolished by Surrey County Council the net book value of £67,500 has been treated as an impairment. The replacement being provided by Surrey County Council was not complete at 31 March 2014.
- Walton War Memorial – the asset value has been impaired by £6,837 to reflect the cost of repairs required to be undertaken due to damage caused by a vehicle hitting the memorial.

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 2013/14, incurring liabilities of £89,807 (£73,873 in 2012/13). This amount is payable to 4 officers (4 officers in 2012/13) 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 £90,000 per annum (£36,000 per annum). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

| Number of Employees 2012/13 | Termination Benefit | Number of Employees 2013/14 |
|--------------------------------|---------------------|--------------------------------|
| 2 | £0 - £20,000 | 2 |
| 1 | £20,001 - £40,000 | 1 |
| 1 | £40,001 - £60,000 | 1 |

There was one outstanding payment relating to an exit package at 31 March 2014 for £4,000.

39. Provisions

| | Outstanding Legal Cases £'000 | MMI £'000 | Search Fees £'000 | Tinted Windows £'000 | Other - Dilapidations £'000 | Business Rate Appeals £'000 | Total £'000 |
|---------------------------------|-------------------------------------|--------------|-------------------------|----------------------------|-----------------------------------|-----------------------------------|----------------|
| Balance at 1 April 2013 | 50 | 150 | 320 | 30 | 500 | - | 1,050 |
| Additional provisions made | - | - | - | - | - | 427 | 427 |
| Amounts used | (50) | (59) | (64) | - | - | - | (173) |
| Unused amounts reversed | - | - | - | (30) | - | - | (30) |
| Balance at 31 March 2014 | - | 91 | 256 | - | 500 | 427 | 1,274 |

Outstanding Legal Cases

An ongoing dispute in relation to a planning application was resolved in 2013/14. The Council incurred costs of £59,770. The balance of £9,770 in excess of the provision at 1 April 2013 was charged to the Income and Expenditure Account.

MMI

In 1991 the Council's Insurer Municipal Mutual Insurance (MMI) went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in

settling outstanding court cases. The Council were informed that it was unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Councils maximum liability, should there be an insolvent run off, was £389,000. A full provision was made during 2011/12 to cover the maximum liability until an actuarial review of the company is completed. The Council received an actuarial review in 2013 and based on the advice at this time only £150,000 was required to meet the Council's liability. During 2013/14 £59,000 was paid to MMI in respect of this provision. At this time the final settlement remains uncertain.

Land Charges – Search Fees

An action by a number of personal search agents against Local Authorities relating to the Council charging those agents for access to land charges information is in progress.

While the final position is uncertain on both quantum and liability there appears to be an increased risk that the Council will be found to be liable. Based on estimates undertaken at the time this liability may be in the region of £320,000. As a result of these claims settled to 31 March 2014 amounted to £64,000 during the year, with a further settlement for £4,000 made in April 2014. The remaining claims have not been resolved.

Tinted Windows

The Council required Taxi Drivers to reduce the tint on windows. The Council reversed this decision and as a result a number of these tints were removed. One claim has been paid during 2012/13 and the Council established in 2012/13 that it may have a liability of £30,000. No claims have been made during 2013/14 and as a result the provision has been released to the I & E Account.

Other Dilapidations

At the 1 April 2013 there were two outstanding disputes relating to property. The two disputes have not been resolved and a £500,000 provision is required.

Business Rate Appeals

This balance represents the Councils proportion (40%) of the potential reduction in the amount of business rates as a result of appeals and future appeals. If the Valuation Office re-assess the rateable value as a result of an appeal the Council will reimburse the property owner for its overpayment, backdated to the date of the original assessment, the balance of the cost is borne by Central Government (50%) and Surrey County Council (10%).

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.

Note that the disclosures below reflect changes implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest and administration costs in relation to current service

costs and administration costs directly related to the management of plan assets. The changes are not material, and have no impact on pensions disclosures in the balance sheet.

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:

| 2012/13 £'000 | | 2013/14 £'000 | £'000 |
|------------------|--|------------------|----------------|
| | <u>Comprehensive Income and Expenditure Statement</u> | | |
| | Cost of Services | | |
| 1,731 | Current service cost | 2,096 | |
| 14 | Past service costs | 7 | |
| - | (Gain)/loss from settlements | - | 2,103 |
| | Financing and Investment Income and Expenditure | | |
| 1,140 | Net interest expense ^a | | 1,779 |
| 2,885 | Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services ^b | | 3,882 |
| | Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement ^g | | |
| 2,853 | Actuarial gains and losses | - | |
| | Remeasurement of the net defined benefit liability comprising: | | |
| - | • Return on plan assets (excluding the amount included in the net interest expense) ^c | (247) | |
| - | • Actuarial gains and losses arising on changes in demographic assumptions ^d | 2,237 | |
| - | • Actuarial gains and losses arising on changes in financial assumptions ^e | (114) | |
| - | • Other ^f | 3,714 | |
| 2,853 | | | 5,590 |
| 5,738 | Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | 9,472 |
| | <u>Movement In Reserves Statement</u> | | |
| (3,391) | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code | | (7,074) |
| 2,347 | Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme | | 2,398 |

The table above reflects disclosure requirements for 2013/14 implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest costs in relation to current service costs, and administration costs directly related to the management of plan assets. The changes are not material, and have no impact on the balance sheet disclosures relating to pensions. Accordingly, the primary statements and comparatives have not been restated. The 2012/13 comparatives under the IAS19 (revised) would have been: ^a (£1,729,000); ^b (£3,474,000); ^c (£7,156,000); ^d £nil; ^e £9,431,000; ^f (£11,000); and ^g £2,264,000 (sum of ^c to ^f) – see also Note 24.5.

40.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

| | 2012/13 | 2013/14 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Present value of the defined benefit obligation | (114,514) | (123,160) |
| Fair value of plan assets | 74,808 | 76,380 |
| | (39,706) | (46,780) |
| Other movements in the liability / (asset) | - | - |
| Net liability arising from the defined benefit obligation | (39,706) | (46,780) |

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

| | 2012/13 | 2013/14 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Opening fair value of scheme assets | 66,423 | 74,808 |
| Interest income | 3,143 | 3,320 |
| Remeasurement gains / (loss): | | |
| • Return on plan assets, excluding the amount included in the net interest expense | 7,156 | 247 |
| • Other | - | - |
| Contributions from employer | 2,347 | 2,398 |
| Contributions from employees into the scheme | 618 | 649 |
| Benefits paid | (4,879) | (5,042) |
| Other | - | - |
| Closing balance at 31 March | 74,808 | 76,380 |

Reconciliation of Present Value of the Scheme Liabilities

| | 2012/13 | 2013/14 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Opening balance at 1 April | 102,738 | 114,514 |
| Current service cost | 1,731 | 2,096 |
| Interest cost | 4,872 | 5,099 |
| Contributions by scheme participants | 618 | 649 |
| Remeasurement (gains) / losses: | | |
| • Actuarial gains / losses arising from changes in demographic assumptions | - | 2,237 |
| • Actuarial gains / losses arising from changes in financial assumptions | 9,431 | (114) |
| • Other | (11) | 3,714 |
| Past service cost | 14 | 7 |
| Benefits paid | (4,879) | (5,042) |
| Liabilities extinguished on settlements | - | - |
| Closing balance at 31 March | 114,514 | 123,160 |

Local Government Pension Scheme assets comprised:

| | Fair value of scheme assets | |
|--------------------------------------|-----------------------------|---------------|
| | 2012/13 | 2013/14 |
| | £'000 | £'000 |
| Cash and cash equivalents | 2,096 | 627 |
| Equity instruments by industry type: | | |
| • Consumer | 5,959 | 6,443 |
| • Manufacturing | 5,336 | 5,224 |
| • Energy & utilities | 3,273 | 3,706 |
| • Financial institutions | 4,755 | 4,985 |
| • Health & care | 2,548 | 2,791 |
| • Information technology | 3,945 | 4,154 |
| Sub-total equity | 25,816 | 27,303 |
| Bonds by sector: | | |
| • Corporate | 3,417 | 3,048 |
| • Government | 1,875 | 1,755 |
| • Other | 414 | 495 |
| Sub-total bonds | 5,706 | 5,298 |
| Property by type: | | |
| • UK property | 2,659 | 1,626 |
| • Overseas property | 915 | 2,609 |
| Sub-total property | 3,574 | 4,235 |
| Private equity * | 2,659 | 2,903 |
| Other investment funds: | | |
| • Equities | 20,602 | 21,293 |
| • Bonds | 7,486 | 6,847 |
| • Other | 7,035 | 7,510 |
| Sub-total other investment funds | 35,123 | 35,650 |
| Derivatives: | | |
| • Interest rate | (9) | 5 |
| • Foreign exchange | (157) | 359 |
| Sub-total derivatives | (166) | 364 |
| Total assets | 74,808 | 76,380 |

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

40.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

| | Local Government Pension Scheme | |
|---|--|----------------|
| | 2012/13 | 2013/14 |
| Long-term expected rate of return on assets in the scheme: | | |
| Equity investments | 4.5% | 4.1% |
| Bonds | 4.5% | 4.1% |
| Property | 4.5% | 4.1% |
| Cash | 4.5% | 4.1% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners (years): | | |
| • Men | 21.9 | 22.5 |
| • Women | 24.0 | 24.6 |
| Longevity at 65 for future pensioners (years): | | |
| • Men | 23.9 | 24.5 |
| • Women | 25.9 | 26.9 |
| Pension Increase Rate (CPI) | 2.8% | 2.6% |
| Rate of increase in salaries * | 5.1% | 3.9% |
| Rate of increase in pensions | 2.8% | 2.6% |
| Rate for discounting scheme liabilities | 4.5% | 4.1% |

* Salary increases are assumed to be 1% per annum until 31 March 2015 reverting to the long term assumption shown thereafter. (In 2012/13, the assumption was salary increases of 1.75% per annum for 2013/14 and 2% for 2014/15 through to 2016/17, reverting to the long term assumption shown thereafter).

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| | Impact on the Defined Benefit Obligation in the Scheme |
|--|---|
| | Increase in Assumption |
| | £'000 |
| Longevity (increase of 1 year) | 3,695 |
| Rate of inflation (CPI increase by 0.5%) | 7,498 |
| Rate of increase in salaries (increase by 0.5%) | 2,676 |
| Rate of increase in pensions (increase by 0.5%) | 7,498 |
| Rate for discounting scheme liabilities (decrease by 0.5%) | 10,269 |

40.5 Impact on the Authority's Cash Flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

In 2012/13 the actuary anticipated the authority's expected contributions to the scheme in 2013/14 would be £2,038,000.

The weighted average duration of the defined benefit obligation for scheme members is 16.7 years in 2013/14 (16.7 years in 2012/13).

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

41. Contingent Liabilities

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

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 credit exposures to the Council's own 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:

| Category | Fitch (or equivalent) | | Money Limit | Time Limit |
|----------|--------------------------|-----------|---------------|--------------|
| | Short Term | Long Term | | |
| 1 | F1 | A | £15m | 5yrs |
| 2 | F2 | A- | £15m | 1yr |
| 3 | F1 | A+ | £10m | 1yr |
| 4 | F2 | BBB+ | £5m | 1yr |
| 5 | - | - | £1m | 6mths to 1yr |
| 6 | F1 | A | £20m in group | 1yr |
| 7 | - | - | £5m | 1yr |
| 8 | F1 | AAA | £3m in group | - |

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 | Category | Maximum Loan £m |
|--|----------|--------------------|
| Major UK Clearing Banks and Subsidiaries | 1 & 2 | 15 ⁽¹⁾ |
| UK Bank Subsidiaries of Overseas Banks | 6 | 20 ⁽²⁾ |
| Nationwide Building Society | 3 | 10 |
| Yorkshire, Coventry, Leeds & Nottingham Building Societies | 4 | 5 |
| Non-Credit Rated Building Societies | 5 | 1 |
| Other Local Authorities | 7 | 5 |
| Money Market Funds – Prime Rate Sterling/Ignis Sterling | 8 | 2 ⁽³⁾ |

⁽¹⁾ Per Clearing Bank ⁽²⁾ Within the Category ⁽³⁾ £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 2014 (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), including those in which the UK Government has a controlling interest

- Barclays Bank plc (C-)
- Co-operative Bank plc (E+) – currently suspended
- HSBC Bank plc (C)
- Lloyds Banking Group: (UK Government controlling interest)
 - Lloyds TSB Bank (C-) (UK Government controlling interest)
 - Bank of Scotland (D+) (UK Government controlling interest)
- Royal Bank of Scotland (D+) (UK Government controlling interest)

UK Bank Subsidiaries of Major Overseas Banks (£20 million within category)

- Santander UK plc (C-) - owned by Banco Santander
- Clydesdale Bank (D+) - owned by National Australia Bank – currently suspended due to credit rating reference.

Building Societies

Societies in the top ten with credit ratings which meet our criteria

- 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. 9) – investment limit £5 million

Building Societies by asset size with no credit rating

- Asset size exceeding £700 million – Investment limit per Society: £1m for maximum of 1 year;
- Asset size exceeding £350 million – Investment limit per Society: £1m for maximum of 6 months.

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 £1,411,000 of the £5.2 million balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

| 2012/13 | | 2013/14 | |
|----------------|------------------------|----------------|--|
| £'000 | | £'000 | |
| 111 | Less than three months | 448 | |
| 30 | Three to six months | 533 | |
| 165 | Six months to one year | 180 | |
| 272 | More than one year | 250 | |
| 578 | | 1,411 | |

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 2014, Elmbridge has external borrowing with the PWLB of £4,820,000 with a maturity analysis as follows:

| | 2012/13 | 2013/14 |
|--------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Short term loans | | |
| Less than one year | 140 | 140 |
| Long term loans | | |
| Between one and two years | 140 | 140 |
| Between two and five years | 420 | 420 |
| Between five and fifteen years | 1,400 | 1,400 |
| More than fifteen years | 2,860 | 2,720 |
| | 4,960 | 4,820 |

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 2014 the balance remaining on this reserve was £2.0 million.

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been an additional £258,000 being credited to the Surplus or Deficit on the Provision of Services.

43.4 Price Risk

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

43.5 Foreign Exchange Risk

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

Collection Fund Income and Expenditure Account

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

| 2012/13 | | 2013/14 | | |
|--|---|-------------------------|----------------------|----------------|
| £'000 | Note | Business Rates £'000 | Council Tax £'000 | Total £'000 |
| Income | | | | |
| 100,136 | Council tax receivable | - | 97,783 | 97,783 |
| 51,763 | Business rates receivable | 53,746 | - | 53,746 |
| - | Transitional protection payable | (50) | - | (50) |
| 151,899 | | 53,696 | 97,783 | 151,479 |
| Expenditure | | | | |
| Apportionment of previous year's surplus | | | | |
| - | Central Government | - | - | - |
| 230 | Elmbridge Borough Council | - | 221 | 221 |
| 1,283 | Surrey County Council | - | 1,272 | 1,272 |
| 228 | Surrey Police & Crime Commissioner | - | 225 | 225 |
| 1,741 | | - | 1,718 | 1,718 |
| Precepts, demands & shares | | | | |
| 51,202 | Central Government * | 25,438 | - | 25,438 |
| 12,775 | Elmbridge Borough Council ** | 20,350 | 12,297 | 32,647 |
| 73,458 | Surrey County Council | 5,087 | 70,735 | 75,822 |
| 13,002 | Surrey Police & Crime Commissioner | - | 12,521 | 12,521 |
| 150,437 | | 50,875 | 95,553 | 146,428 |
| Charges to the Collection Fund: | | | | |
| 392 | Write-off of uncollectable amounts | 235 | 231 | 466 |
| 123 | Increase / (decrease) in bad debt provision | 99 | 132 | 231 |
| - | Increase / (decrease) in appeals provision | 1,068 | - | 1,068 |
| 184 | Cost of Collection | 183 | - | 183 |
| 699 | | 1,585 | 363 | 1,948 |
| 152,877 | | 52,460 | 97,634 | 150,094 |
| 978 | (Surplus) / deficit arising in year | (1,236) | (149) | (1,385) |
| (2,679) | Balance at 1 April | - | (1,701) | (1,701) |
| (1,701) | Balance at 31 March | (1,236) | (1,850) | (3,086) |

* Under previous arrangements governing the accounting for business rates transactions, the Government share in 2012/13 was 100% (£51,202,000 – Payment to the NDR Pool).

** The Elmbridge Borough Council council tax precept of £12,297,000 includes £46,306 for Claygate Parish Council (£12,775,000 in 2012/13 including £48,000 for Claygate).

Notes to the Collection Fund Income and Expenditure Account

1. Business Rates Retention Scheme

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

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

Revenue growth under the new scheme is shared between Central Government, Elmbridge and Surrey County in the ratio 50:40:10. The 40% share of growth accruing to Elmbridge is then subject to a Central Government levy applied at a rate of 50%, so that in practice Elmbridge is permitted to retain 20% of any business rates growth of its share of retained income above its 2013/14 baseline funding level of £2,033,997. The baseline funding level rises each year in line with the change in the business rates multiplier. The levy due to Central Government based on the first year of operation of the scheme is £556,192.

2. Change in accounting methodology

Under the new scheme Elmbridge acts as an agent on behalf of Central Government and Surrey County, and as principal in respect of its own share of the fund. This differs from the arrangements under the previous scheme, where Elmbridge acted solely as an agent on behalf of Central Government.

3. Business rates comparatives in Collection Fund statement

The new arrangements do not constitute a change in accounting policy, and there is no impact on the 2012/13 position for Business Rates. However, restatement of prior year figures in respect of Business rates has been made so the figures are consistent with the new presentation:

Collection Fund - Income

2012/13
£'000

| | |
|--|---------------|
| Income collectable from Business Rate payers | 51,387 |
| <u>Add back:</u> | |
| Write off of uncollectable amounts | 282 |
| Increase in bad debt provision | 94 |
| Business Rates receivable | 51,763 |

Collection Fund - Expenditure

| | |
|--|------------|
| Write offs (<i>Council Tax only</i>) | 110 |
| <u>Add:</u> | |
| Write offs - Business Rates | 282 |
| Write off of uncollectable amounts | 392 |
| | |
| Provisions (<i>Council Tax only</i>) | 29 |
| <u>Add:</u> | |
| Movement in bad debt provision - Business Rates | 94 |
| Increase / (decrease) in bad debt provision | 123 |

4. Council Tax Receivable

For Council Tax purposes all domestic properties are placed in one of eight valuation bands at 1991 prices, the bands ranging from A to H. The Council set a 2013/14 Council Tax charge for Band D properties of £1,597.05 within the Claygate Parish Area and £1,583.14 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with Council Tax costs under a new local Council Tax Reduction scheme administered by Elmbridge Borough Council and substantially financed by central government. The local scheme replaces the national Council Tax Benefit system which was abolished by the Government from 1 April 2013.

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 | 225 | 6/9 | 150 |
| B | 927 | 7/9 | 721 |
| C | 4,589 | 8/9 | 4,079 |
| D | 10,241 | 1 | 10,241 |
| E | 9,320 | 11/9 | 11,392 |
| F | 7,175 | 13/9 | 10,364 |
| G | 10,456 | 15/9 | 17,426 |
| H | 3,593 | 18/9 | 7,185 |
| TOTAL | <u>46,526</u> | | <u>61,558</u> |
| | | Less: Adjustments * | (1,231) |
| | | Council Tax Base | <u>60,327</u> |

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

5. Business Rates Receivable

The total Non Domestic Rateable Value for the Elmbridge area at 31 March 2014 was £132.587 million, and the National Non-Domestic Rates multiplier 47.1p for 2013/14.

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 2013 to 31 March 2014.

Accrual

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

Actuarial Gains and Losses

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

Appropriations

The transfer of resources between various revenue reserves.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Budget

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

Budget Requirement

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

Capital Charge

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

Capital Expenditure

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

Capital Financing Account

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

Capital Receipts

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

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Collection Fund Adjustment Account

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

Creditors

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

Current Service Cost

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

Debtors

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

Depreciation

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

Expected Rate of Return on Pensions Assets

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

Fees and Charges

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

Fixed Asset

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

Formula Grant

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

General Fund

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

Intangible Assets

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

Interest Cost

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

LABGI – Local Authority Business Growth Incentive Grant

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

Leasing

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

Minimum Revenue Provision

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

Non Domestic Rates

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

Precept

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

Provisions

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

Public Works Loans Board

A government body that provides loans to local authorities.

Reserves

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

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

Revenue Expenditure

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

Revenue Expenditure funded from Capital Resources Under Statute

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

Specific Government Grants

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

Abbreviations

| | |
|--------|--|
| ABG | Area Based Grants |
| BSc | Bachelor of Science |
| CAB | Citizens Advice Bureaux |
| CCTV | Closed Circuit Television |
| CIL | Community Infrastructure Levy |
| CFR | Capital Financing Requirement |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| CPI | Consumer Price Index |
| CRC | Carbon Reduction Commitment |
| DRC | Depreciated Replacement Cost |
| ECIF | Elmbridge Civic Improvement Fund |
| 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 |
| MTFS | Medium Term Financial Strategy |

| | |
|--------|--|
| NDR | Non Domestic Rates |
| PFI | Private Finance Initiative |
| PDG | Planning Delivery Grant |
| PPP | Public Private Partnership |
| PWLB | Public Works Loan Board |
| RICS | Royal Institution of Chartered Surveyors |
| RPI | Retail Price Index |
| SAC | Special Areas of Conservation |
| SANGS | Suitable Alternative Natural Green Space |
| SeRCOP | Service Reporting Code of Practice |
| SCC | Surrey County Council |
| SPA | Special Protection Areas |
| VAT | Value Added Tax |
| VFM | Value for Money |
| VOA | Valuation Office Agency |



Annual Governance Statement 2013/14

For the period 1 April 2013 to 31 March 2014

1. Scope Of Responsibility

Elmbridge Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards and public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- In discharging this overall responsibility, Elmbridge Borough Council is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- Elmbridge Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Council's Code is on our website at: www.elmbridge.gov.uk or can be obtained from :
Head of Legal Services
Elmbridge Borough Council
Civic Centre
High Street
Esher, KT10 9SD
- This statement explains how Elmbridge Borough Council has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose Of The Governance Framework

- The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide

reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Elmbridge Borough Council's objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

- **The governance framework has been in place at Elmbridge Borough Council for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Statement of Accounts.**

3. The Governance Framework

The key elements of the governance framework that Elmbridge Borough Council has in place are outlined below:

- The Council reviews its vision and priorities annually. The approved Corporate Plan 2013/14 incorporates the Council's Vision for the five-year period 2013 to 2018. Three top priorities were identified for 2013/14 :
 - A safe, caring and healthy Elmbridge
 - A vibrant and thriving Elmbridge
 - A unique, green and attractive Elmbridge

Twelve flagship projects were identified for 2013/14 to help improve Elmbridge and to fulfill the Council's vision that links to the top priorities. In February 2013 the Council approved the vision for the next five years and priorities for 2013/14. Key outcomes and performance against these Flagship Activities are reported to Members during the year.

Specifically, quarterly performance monitoring reports are presented to Cabinet against the 2013/14 corporate plan objectives, flagship activities and the basket of performance indicators. The final report on the Council's performance in 2013/14 against the Corporate Plan 2013/14 is a Cabinet item in June 2014.

- The Council's Constitution defines the roles/responsibilities of the Cabinet (Executive), regulatory committees, Overview & Scrutiny Committee and statutory officers and sets out how these roles are discharged and the delegations extended to officers and Members.
- An annual report of the work undertaken by the Performance and Finance Standing Panel in 2013/14 was provided to the Overview and Scrutiny Committee in March 2014.
- An annual partnership report includes the summary of outcomes of each of the Council's partnerships and is reported to Members in June each year.
- The Member Code of Conduct was adopted/published in July 2012 and has been communicated widely.
- The effectiveness of the Council's decision-making framework is a standing item on programmed meetings of the statutory officers and Members' approval is sought for necessary changes.
- The Head of Legal Services works with and supports the Constitutional Review Working Group and reports to Council on necessary changes to the Constitution.

- The Council's decision making is set out in the Council Forward Plan and meetings are open for the public to attend.
- The Council's Strategic Risk Register is reviewed annually and links to the Council's top priorities and strategic objectives.
- Counter Fraud and anti-corruption arrangements incorporate a regular review of policies. An officer Counter Fraud Board is an established mechanism that aims to ensure effective counter fraud arrangements and to provide an appropriate counter fraud response to the Local Government Fraud Strategy "Fighting Fraud Locally" April 2012. Fraud awareness training is in place and the Council participates in the National Fraud Initiative.
- Effective arrangements for the management of change and transformation are ensured by regular project management updates on all major projects to the Corporate Management Board. A Project Board of senior management specifically monitors the Council's "Brilliant Customer Service Every Time" transformation project.
- Financial management and assurance arrangements conform with the governance requirements of the relevant CIPFA statements 2010 and regular reports are submitted to the Audit and Standards Committee.
- The effective discharge of the Monitoring Officer and Head of Paid service functions are assisted by regular meetings of the three statutory officers and with Members and by regular review of Constitutional powers.
- The Audit and Standards Committee has defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance.
- The Head of Legal Services and Head of Finance give express consideration to legal and financial implications of all decision-making reports so as to ensure compliance with relevant laws and regulations.
- Whistleblowing arrangements are in place by means of a Confidential Reporting (Whistleblowing) Policy to receive and investigate complaints from staff and members of the public.
- Members and senior officers training and development arrangements are in place through an annual Member Development Programme and a comprehensive officer training programme.
- The Communications Plan and publication of the Council's Annual Report provide mechanisms for communicating with the community and other stakeholders and accountability for service delivery and outcomes.

4 Review Of Effectiveness

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

- the work of the Corporate Management Board and senior managers within the authority who have responsibility for the development and maintenance of the governance environment;

- the Head of Internal Audit Partnership's annual report;
- comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by:

- The completion of Annual Assurance Statements by all Heads of Service as at 31 March 2014. These were returned with no significant issues highlighted.
- An Internal Audit Corporate Governance assurance review;
- The Head of Legal Services testing the specific requirements of the Local Code of Corporate Governance against the behaviours, codes and protocols put in place by the Council and documented in the Constitution and elsewhere.

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

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

The Audit and Standards Committee received the Council's appointed External Auditor's (Grant Thornton) Audit Findings for 2012/13 in September 2013. This report contained an unqualified opinion on the 2012/13 financial statements and a Value for Money conclusion confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Examples of the Council's key achievements for 2013/14 are:

- The Family Support Programme has had success in reducing anti-social behaviour, getting people back to work, young people back to school or college and received payment by results for 129 Elmbridge families;
- The total number of completions of affordable homes in 2013/14 is 118, exceeding the original target of 106 for 2013/14;
- The launch of the Walton Wellbeing Centre with a weekly activity programme supported by partners.
- The Customer Service Excellence was retained in 2013.
- £1.4m budget reductions have been identified for 2014/15 with no impact on frontline service provision.

Eight Council flagship activities are on target or completed.

Specific outcomes from these activities in 2013/14 include:

- Welfare reforms introduced since April 2013 have been embedded and a revised Council Tax Support scheme has been adopted for year 2;
- Preliminary works for the development of the Sports Hub at Waterside Drive have been completed and work is continuing with consultants;
- The enhanced Molesey Centre facility at Mole Hall has been completed and it reopened in its new location on 17 February 2014. Since the reopening new visitors have joined the Centre and also a number of volunteers and very positive feedback has been received from visitors and Centre members.

The position regarding the following flagship activities is:

- The Council has awarded 31 Elmbridge Civic Improvement Fund grants since March 2013 and there are 21 open applications which are currently being discussed with applicants. The Council is continually marketing the scheme and has held 3 drop in sessions for businesses.
- Phase 1 of the Brilliant Customer Service Every Time project has been delayed and will now go live in June- August 2014 and the phase 2 Planning is set to go live shortly after that. Many non-ICT CRM improvements and efficiencies have been implemented in the meantime, including efficient document handling and cheque processing for Parking Services and Planning Services.
- A revised project plan was agreed with regard to the new Museum Resources Centre and the new inter-active website went live on 1 June 2014.
- The Heritage Strategy and Tree and Landscape Strategy commenced development in 2013/14 and these projects will continue throughout 2014/15.

During 2013/14 improvements have been made to the Council's arrangements and matters identified in 2012/13 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 2013/14 in this regard.

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

Safeguarding:

- a Safeguarding Children policy and a Safeguarding Adults policy have been developed during 2013/14.

Health and Safety:

- risk assessments have been documented and this process is ongoing and progress is being monitored.

Business Continuity:

- the Elmbridge Business Continuity Plan was updated and service Business Continuity Plans are being tested in conjunction with the Business Continuity Officer. This process is ongoing.


iii) The Integrated Emergency Strategy was updated during 2013/14 and the Borough Emergency Plan was updated.

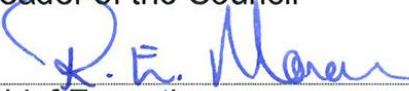
iv) In 2013/14 the Information Governance Group transformed into a more strategic group led by the Senior Information Risk Owner with the Law Practice Manager, the Head of ICT and the Records Management Consultant as members, who will engage more with the Leadership Group and the Business Improvement Group to embed a stronger Information Governance culture across the Council. A new information security incident classification has been introduced to reflect the Information Commissioner's requirement. Information Management and Security and Data Protection training sessions were provided to officers during 2013/14 and are mandatory for all staff.

6 Significant Governance Issues

On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31 March 2014 and the corporate governance health check undertaken by Internal Audit, there are no significant governance issues to report. Furthermore the review of the Council's system of governance and internal control has not identified any significant weaknesses.

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

Signatures:  Date: 20 June 2014
Leader of the Council

 Date: 26 June 14
Chief Executive