Please reply to:
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Date: 11 September 2013

Notice of meeting

Audit Committee

Date: Thursday 19 September 2013

Time: 7.30 pm

Place: Goddard Room, Council Offices, Knowle Green, Staines

To the members of the Audit Committee

Councillors:

D. Gohil (Chairman)	M.J. Madams (Vice-Chairman)	C.V. Strong
J. Dale	D. Patel	
A.C. Harman	A.C. Patterson	

RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose
To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process

Core Functions
(a) To approve (but not direct) the internal audit's strategy, plan and performance.
(b) To review summary internal audit reports and the main issues arising, and to seek assurance that action has been taken where necessary.
(c) To consider the reports of external audit and inspection agencies.
(d) To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
(e) To be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and to take actions required to improve it.
(f) To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
(g) To review the financial statements, external auditors opinion and reports to members, and monitor management action in response to the issues raised by external audit.

AGENDA

Minutes of the Audit Committee
27 June 2013

Present:
Councillor D. Gohil (Chairman)

Councillors:

J.A. Dale	M.J. Madams
A.C. Harman	A. Patterson

In Attendance

Councillor T.J.M. Evans

Apologies: Apologies were received from Councillor D. Patel.

163/13 Minutes

The minutes of the meeting held on 23 May 2013 were approved as a correct record.

164/13 Corporate Risk Management

The Audit Manager reported that the Corporate Risk Register had undergone its regular quarterly review and update by the Corporate Risk Management Group and Management Team to ensure that actions were being taken to deal with the identified risks.

The revised register was considered to be an accurate reflection of the high level risks affecting the Authority. Progress on actions was documented on the register, and a RAG (red, amber, green) rating assigned to each risk category to highlight the level of progress made. The Audit Manager highlighted the areas in which progress had been made. Three new actions had been added to the Risk Register in order to mitigate the associated risks.

RESOLVED that the Corporate Risk Register be noted.

165/13 Internal Audit Annual Report 2012/13

The Head of Audit Services presented her report which summarised the work undertaken by Audit Services during the period April 2012 to March 2013 and provided an assurance opinion that the Council's internal control environment was adequate and effective. She particularly referred to the Internal Audit Reviews undertaken, the assurance levels given and the issues which had been identified in the course of the reviews.

Members thanked the Audit Team for their work and commended the Head of Audit services for a very clear report.

The Committee asked for further information about the roll out of Phase 3 of the iTrent Payroll system, which the Assistant Chief Executive agreed to circulate to the members.

RESOLVED that the Internal Audit Annual Report 2012/13 be noted.

166/13 Internal Audit Charter

The Head of Audit services explained that the Internal Audit Charter had been amended to reflect the new Public Sector Internal Audit Standards which came into effect from 1 April 2013. The Standards had been adapted from mandatory internal audit standards to meet the special requirements of public sector organisations in the UK.

RESOLVED to approve the Internal Audit Charter.

167/13 Committee Work Programme

The Committee considered its Work Programme for the 2013-2014 municipal year.

RESOLVED to note the Committee Work Programme 2013-2014.

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Annual Audit Letter 2012/13

Spelthorne Borough Council

October 2013

KPMG

Contents

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tamas Wood, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Section one
Headlines

This report summarises the key findings from our 2012/13 audit of Spelthorne Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

VFM conclusion	We issued an unqualified value for money (VFM) conclusion for 2012/13 on 20 September 2013. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness. To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
Audit opinion	We issued an unqualified opinion on your financial statements on 20 September 2013. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
Financial statements audit	Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We did not identify any material misstatements and there were only a small number of trivial adjustment s and presentational adjustments required to ensure that the accounts were compliant with the Code. We raised one recommendation from our work, which management has agreed to implement.
Annual Governance Statement	We reviewed your *Annual Governance Statement* and concluded that it was consistent with our understanding.
Whole of Government Accounts	The Authority's income/expenditure/assets/liabilities are below the National Audit Office's (NAO) threshold requiring auditors to complete a full review of the consolidation pack submitted to HM Treasury. As auditors of an Authority below the threshold we were required to complete a shortform assurance statement focussing on two areas; pension liabilities and property, plant and equipment (ppe). We reported that the Authority's disclosure in these two areas were consistent with the audited financial statements.
Certificate	We issued our certificate on 20 September 2013. The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.
Audit fee	Our fee for 2012/13 was £63,270, excluding VAT. This is inline with the planned fee set out in our 2012/13 Audit Plan issued in March 2013. Further detail is contained in Appendix 2.

Appendices

Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

2013

January

February

March

April

May

June

July

August

September

October

November

Certification of Grants and Returns (February 2013)

This report on summarised the outcome of our certification work on the Authority's 2011/12 grants and returns.

External Audit Plan (March 2013)

The *External Audit Plan* set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

Audit Fee Letter (April 2013)

The *Audit Fee Letter* set out the proposed audit work and draft fee for the 2013/14 financial year.

Auditor's Report (September 2013)

The *Auditor's Report* included our audit opinion on the financial statements, our VFM conclusion and our certificate.

Report to Those Charged with Governance (September 2013)

The *Report to Those Charged with Governance* summarised the results of our audit work for 2012/13 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

Annual Audit Letter (October 2013)

This *Annual Audit Letter* provides a summary of the results of our audit for 2012/13.

Appendices

Appendix 2: Audit fees

This appendix provides information on our final fees for 2012/13.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

Our final fee for the 2012/13 audit of Spelthorne Borough Council was £63,270. This is an overall reduction of 40 percent on the comparative total fee for 2011/12 of £105,450. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.

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Audit Committee

19 September 2013

Title	External Audit Report on 2012/13 Audit and Statement of Accounts		
Purpose	Resolution required		
Report of	Chief Finance Officer	Confidential	No
Cabinet Member	Councillor Tim Evans	Key Decision	No
Report Author	Terry Collier, Assistant Chief Executive, (01784) 446296		
Summary	• The Auditors anticipate issuing an unqualified opinion on the Statement of Accounts • No material adjustments were identified • The Auditors conclude that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. • Key financial systems are generally sound. • Annual Governance Statement complies with relevant guidance • Council has appropriate processes and procedures in place to deliver savings over the medium term • Only 1 level 3 recommendation in respect working papers • KPMG will provide a verbal update at the meeting on their conclusions		
Financial Implications	There are none		
Corporate Priority	All three priorities		
Recommendations	The Audit Committee is asked to note the External Auditor's 2012/13 audit report (Appendix A).That the Chief Finance Officer sign the letter of representation (as attached to appendix 4 of the Auditors' report). That the Chief Finance Officer and Chairman of the Committee sign the statement of accounts That the Audit Committee note the draft officer responses to the recommendations made in Appendices 1 and 2 of the Auditors report.		

MAIN REPORT

1. Background

1.1 External auditors appointed by the Audit Commission, KPMG, are required, in accordance with international auditing standards, to annually report to the Council on:

- Their opinion on the Statement of Accounts
- Any uncorrected items in the Statement of Accounts
- Qualitative aspects of the Council's accounting practices and financial reporting
- The Annual Governance Statement
- Their annual Value for Money conclusion

1.2 They also report annually on their audit of the Council's accounting and internal control systems.

1.3 The KPMG report on the 2012/13 audit is attached as **Appendix A**.

2. Key issues

Financial Statements (Section Three, page 4)

2.1 The final version of the Statement of Accounts, reflecting the minor amendments required by the external auditors, is attached as **Appendix B.** No material adjustments were identified by the auditors.

2.2 KPMG anticipate issuing an unqualified audit opinion by 30 September 2013. In addition they will report that the Annual Governance Statement is satisfactory and not misleading or inconsistent with other information gathered from the audit.

Annual Governance Statement (page 4)

2.3 The Auditors reviewed the Annual Governance statement and confirm that it complies with the Delivering Good Governance in Local Government Framework and that it is not misleading or inconsistent with other information that the auditors are aware of.

Critical Accounting Matters (page 5)

2.4 The Auditors have reviewed the Council's medium term financial and savings plans and have concluded that we have in place processes and procedures to deliver savings and generate income over the medium term. They note our plans to eliminate the use of reserves to deliver a balanced budget.

Value for Money (Section Four, page 8)

2.4 KPMG concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Other Matters

2.5 The report confirmed that the overall control environment was effective. Key financial systems are generally sound and the auditor's made 1 priority three (broadly low level) recommendation in respect of completeness of supporting working papers which will be actioned for the 2013/14 accounts.

3. Options analysis and proposal

3.1 That the Assistant Chief Executive in his role as the statutory Chief Financial Officer, and the Chairman of the Audit Committee sign the draft letter of representation as appended to the auditor's report (Appendix 4).

3.2 That the Committee note the recommendations made in Appendix 2, of the auditor's report and draft responses made by Officers. Progress on implementation will be reported back to the next meeting of the Committee.

4. Financial implications

4.1 There are none.

5. Other considerations

5.1 None

6. Risks and how they will be mitigated

6.1 As per the responses set out to the recommendations.

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7. Timetable for implementation

7.1 As per the responses set out to the recommendations.

Background papers:

None

Appendices:
KPMG Report
Audited Statement of Accounts

Spelthorne Borough Council

Unaudited
Statement of Accounts
2012-2013

T Collier
Chief Finance Officer

Financial Statements and Annual Report

Contents

Explanatory Foreword

By the Chief Finance Officer

During 2012-13 the Council had to manage the continuing impact of external grant funding cuts flowing from the national public sector deficit reduction with further reductions in the Counci's general grant support. The Council also had to respond to the impact of depressed economic activity in 2012-13 which pushed up demand for some Council services such as housing and housing benefits and constrained some of its income streams.

During 2012-13 the Council along with other Surrey councils prepared for the implementation of localised council tax support agreeing its own scheme which took effect from 1st April 2013 replacing council tax benefit. The Council also increased its focus on business rates in anticipation of the revised local government funding regime taking effect from 1st April 2013 under which a proportion of the Council's funding will be directly dependent on the Council's ability to collect local business rates.

It has continued to be a very challenging environment for the Council in which to seek to maximise its investment income, with base rates staying at a historic all time low of 0.5% throughout 2012-13 and concerns relating to Eurozone issues reducing the credit rating of counterparties limiting the Council's choice of financial counterparties for placing investments.

The Government's Funding for Lending Scheme had the effect of reducing the interest rates offered by banks which in turn contributed to reducing the investment income earned by the Council. The Council responded to this challenge in 2012-13 by diversifying its investment portfolio to include corporate bond funds and equity bond funds and these investments produced healthy returns and capital gains in 2012-13.

The Statement of Accounts is presented in accordance with the Code of Accounting Practice on Local Authority Accounting in the United Kingdom 2012-13 as required by the Accounts and Audit Regulations 2012. Unlike most recent years there were no significant accounting or disclosure requirements for 2012-13

The purpose of the Statement of Accounts is to give electors, other local taxpayers,councillors, employees and other interested parties, clear information about the Council's finances – what local services have cost, how the Council pays for them and what the assets and liabilities are at the year end. The objective is to give a "true and fair" view of the financial position and transactions of the Council.

The following paragraphs provide a brief explanation of the statements which make up the Statements of Accounts.

The Statement of Accounts' core statements consist of the following:

- Movement in Reserves Statement (page 10-11)
- Comprehensive Income and Expenditure statement (page 12)
- Balance Sheet (page 13)
- Statement of Cash Flow (page 14)

The **Movement in Reserves Statement shows** the movement in the year on the different reserves held by the Council analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Deficit for 2012-13 on the provision of services (£1.936m) shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The surplus/deficit figures are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

The net decrease before transfers to/from earmarked reserves is £0.048m and this is the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves. The net decrease after transfers to/from earmarked reserves is £0.303m.

The **Comprehensive Income and Expenditure 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. Councils raise taxation to cover expenditure in accordance with regulations. The segmental reporting note to the Statement enables a comparison of the outturn figures to the format in which budget monitoring figures have been reported to Councillors throughout the year. The total net deficit on the Total Other Comprehensive Income and Expenditure Statement of £4.536m reflects actuarial losses relating to the Council’s pension liabilities of £3.285m.

The **Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (£39.375m) of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves (as at 31 March 2013 totalling £14.829m) , 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 limitations on their use.It is worth noting that despite the need to maintain a capital programme the level of usable reserves is slightly increased on the previous year’s balance of £14.706m The second category of reserves is those the Council is not able to use to provide services, known as non-usable reserves (as at 31 March 2013 totalling £24.546m). This category includes reserves that hold unrealised gains and losses (for example the revaluation reserves) 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 **Statement of Cash Flow** 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 inflows arising from operating activities (£4.306m) 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. The investing activities represent the extent to which cash outflows have been made for resources intended to contribute to the Council’s future service delivery.

Local authorities have been required to produce their statements of accounts in accordance with International Financial Reporting Standards (IFRS). Whilst not a core statement within the Statement of Accounts as a local Council with responsibility for collecting council tax we are required to prepare an annual **Collection Fund Statement (page 65):** The Local Government

Finance Act 1988 requires each charging Council to operate a Collection Fund to account for the Council Tax and Business Rate Income and its distribution to Precepting Authorities (Surrey County Council and Surrey Police Authority) and Central Government.

This Council's levy on the Collection Fund for 2012-13 was set at £172.22 per Band D property (a 2.94% increase) after taking account of a transfer of £0.298m from reserves and a transfer of £7,700 into the Collection Fund following lower than expected collection rates for Council Tax during the previous year.

Capital Expenditure

The Council's capital expenditure plans must be prudent and affordable in the longer term and the Council adheres to guidance set out in the *CIPFA Prudential Code for Capital Finance in Local Authorities,* which has legislative backing. Whilst it has taken the view that it will use capital receipts to fund its capital programme, it may consider using borrowing in the future for specific capital projects.

The capital programme is prepared on a 4 year rolling basis and is reviewed every year. The capital programme consists of housing investment, mainly renovation and renewal grants made to individuals and tenants of housing associations, and non-housing activities including information technology, vehicle replacement and improvements of major assets.

Total gross capital expenditure in 2012-13 was £1.224 million and a breakdown of the schemes making up this spend can be found in note 33 (page 58). The following statement shows the total gross capital expenditure for the year and how it has been financed.

	£000
Total Capital Expenditure	**1,224**
Financed by:	
Capital Receipts	634
Specific Government Grants	343
Other Grants and Contributions	168
Revenue Reserves	79
Total	**1,224**

The programme is mainly financed from capital receipts generated from asset sales. In addition, grants and contributions received from other bodies including central government are used for financing specific expenditure.

Future capital expenditures and resources are as follows:

Future Capital Investment Plans and Resources	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £
Capital Programme	1,129,200	387,200	387,200	387,200
Resources available:				
Capital Receipts	844,200	102,200	102,200	102,200
Capital Grants/Contributions	285,000	285,000	285,000	285,000
	1,129,200	387,200	387,200	387,200

Capital receipts also generate investment income but in the current low interest rate environment investment returns are very low so in the near term, capital spending will continue to be financed from capital receipts. To strengthen these reserves potential asset sales are kept under review but completing disposals can be a major challenge in the current financial climate.

Pensions (see notes Pages 60 to 64)

International Accounting Standard 19 'Employee Benefits' ("IAS19") requires authorities to provide clear information on the impact of the Council's obligation to fund the retirement benefits of its staff. Information has been received from the Actuary on the latest position as at March 2013, showing a deficit of £31.991m for this Council, which represents a £3.705m increase relative to 2011-12. This largely reflects:

- The deficit has increased due to increase of long term inflation expectations.
- It must be emphasised that this calculation has been made for the specific requirements of "IAS 19" and should not be used for any other purpose. There was a separate Triennial Revaluation based on the Pension as at 31 March 2013, the result of which kept employer contributions unchanged partly as a result of the factors identified above partly as a result of a very good investment return performance by the Surrey Pension Fund in 2013 and partly as a result of a move to stabilise employer contribution movements. The Council will receive details of the Triennial Revaluation in autumn 2013.

The liabilities of £31.991m show the underlying commitments that the Council has in the long run to pay retirement benefits. The liability has a substantial impact reducing the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the pension scheme will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary.

Finance is only required to cover discretionary benefits when the pensions are actually paid.

The Government is currently implementing changes to public sector pensions which are likely to reduce the future cost to employers of such schemes. There will be a revised national Local Government Pension Scheme taking effect from 1st April 2014.

Borrowing

The Council has not had any long term borrowing for a number of years and as at 31 March 2013 had no long term borrowing.

Provisions

Two new provisions have been made during 2012-13 totalling £139k including £50k in respect of Property search fee litigation and £89k in respect outstanding claims for the Council's former insurer, Municipal Mutual Insurance Limited (MMI). Prior to 1992 the Council's insurance was provided by MMI which went into administration. The scheme administrator has advised the Council that the Scheme of Arrangement has been triggered and the Council will be required to pay an initial levy of 15% of outstanding claims, calculated to be £89k.

There were no new provisions during 2011/12.

Revenue Expenditure

An analysis of the Council's total gross revenue income and expenditure identifying major variances from the original budget is shown below.

The Council has always adopted the accounting practices recommended by the Chartered Institute of Public Finance and Accountancy. These accounts comply fully with their current requirements.

Comparison of 2012/13 Actual Revenue Expenditure to Budget			
	Budget 2012-13	Actual Expenditure	Variance Actual to Budget
	£000	£000	£000
Gross Expenditure	54,615	57,731	3,116
Gross Income	(42,462)	(45,814)	(3,352)
Net Service Expenditure	**12,153**	**11,917**	**(236)**
Interest on balances	(422)	(382)	40
Transfers from reserves	(200)	(64)	136
			0
Budget Requirement	**11,531**	**11,471**	**(60)**
Financed by:			
Non-service related Grants	711	497	(214)
Revenue Support Grant	76	76	0
Non-domestic rates from national pool	3,733	3,902	169
Precept on Collection Fund	7,011	6,988	(23)

The above analysis covers revenue expenditure and income only and is not directly comparable with the segmental analysis on page 28 which provides a more detailed breakdown at service expenditure level, for revenue and capital.

Achieving a net underspend for 2012-13 was positive as it reflects delivery of the savings built into the budget and also reflected underlying service income outturn being slightly better than budget.

Financial Strategy Review

The Council continuously reviews and updates its financial strategy. During 2012-13 the strategy was updated to respond to the grant cuts the Council will experience over the next few years.

The main issues identified in the review and the outline budget process were the following:

- The need to maximise savings and efficiencies. Strategies to deliver this include:

- Sharing of services with other authorities- during 2012-13 the Council continued to share several heads of service and other posts have been shared with a neighbouring borough council
- Seeking procurement savings.
- Rationalising accommodation and letting out office space.
- Tight vacancy control
- Seeking restructuring savings. Since January 2013 the Council's ICT support arrangements have been provided in-house which will deliver ongoing annual savings of approximately £200,000 per annum
- Reviewing fees and charges
- Smarter use of technology
- Restructuring management and staffing levels
- Seeking to generate sustainable income streams from the Council's assets
- Seeking to encourage economic development within the Borough which ultimately may help stimulate business rates growth which will assist the Council's future funding.

- A continuing need to reduce dependence on reserves –The importance of maximising investment income whilst balancing risk.
- During 2012/13 the Council implemented a new investment strategy, including investments in pooled equity, property and bond funds, aiming to maintain current levels of investment income into the future.
- The increasing deficits identified over the Outline Budget period.

The Council reaffirmed its commitment to reduce its dependence on reserves, but recognised that the impact of the global economic downturn on the Council meant that this would take longer to achieve than originally planned.

Summary

The next few years will continue to extremely challenging. The Council has been impacted by the severity of the global economic downturn and then by the public sector deficit reduction programme, which means levels of government grant are being cut. The Council's ability to generate capital receipts is also constrained. This means the Council will be more constrained in future years in its capital programme and that it may need to consider business cases where appropriate for prudential borrowing. However, there are a number of very significant financial uncertainties heading local government's way in the form of localisation of business rates, localisation of council tax support and, introduction of universal credit which bring potential financial risks for local government. A balanced budget was set for 2012-13 which incorporated £1m worth of savings. The Council has reserves but these have been used in the past to support the budget over a number of years and this approach was not sustainable in the medium term, hence the decision to reduce over time the dependence on this source of funding.

A number of strategies including partnership working and sharing services with other local authorities; seeking procurement savings; rationalising accommodation and letting out surplus space to other organisations; better use of technology and restructuring are being pursued. By pursuing these strategies we are confident that we can ensure that Spelthorne Borough Council has a sustainable financial future.

Spelthorne has a history of prudence in the way we manage the finances, and we will continue to review all our services to ensure that they are needed and are delivered economically, efficiently and effectively.

The accounts were authorised for issue by Mr T Collier, Chief Finance Officer on XX September 2013 and events after the Balance Sheet date have been considered up to this date.

Further Information

If you require any further information, please contact Terry Collier, Chief Finance Officer on Tel: 01784 446296 at the Council Offices, Knowle Green Staines-upon-Thames, TW18 1XB.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') and International Reporting Standards, is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2013.

In preparing this statement of accounts, the Chief Financial Officer has:

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

The Chief Financial 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.

Mr Terry Collier, CPFA, CA
Chief Financial Officer

Date: xx September 2013

Cllr Gohil
Councillor Dipak Gohil
Chair of Audit Committee

Date: xx September 2013

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement (page 12). These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net Increase/ (Decrease) before transfers to earmarked reserves line shows the net increase/decrease on the revenue before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2012/13

2012/13	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance brought forward as at 31 March 2012	1,110	10,889	1,985	722	14,706	29,205	43,911
Movement in Reserves during the year							
Surplus/(deficit) on Provision of Services	(1,936)				(1,936)		(1,936)
Other Comprehensive Income and Expenditure					0	(2,600)	(2,600)
Total Comprehensive Income and Expenditure	**(1,936)**	**0**	**0**	**0**	**(1,936)**	**(2,600)**	**(4,536)**
Adjustments between accounting basis and funding basis under regulation (Note 7)	2,145		(315)	229	2,059	(2,059)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**209**	**0**	**(315)**	**229**	**123**	**(4,659)**	**(4,536)**
Transfer from/(to) Earmarked Reserves (Note 8)	(512)	512			0		0
Increase/(Decrease) on 2012/13	**(303)**	**512**	**(315)**	**229**	**123**	**(4,659)**	**(4,536)**
Balance carried forward as at 31 March 2013	**807**	**11,401**	**1,670**	**951**	**14,829**	**24,546**	**39,375**

Movement in Reserves Statement Prior Year Comparatives

2011/12	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance brought forward as at 31 March 2011 (restated)	1,237	10,896	2,036	629	14,798	36,939	51,737
Movement in Reserves during the year							
Surplus/(deficit) on Provision of Services	(1,456)	0	0	0	(1,456)	0	(1,456)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(6,370)	(6,370)
Total Comprehensive Income and Expenditure	**(1,456)**	**0**	**0**	**0**	**(1,456)**	**(6,370)**	**(7,826)**
Adjustments between accounting basis and funding basis under regulation (Note 7)	1,322		(51)	93	1,364	(1,364)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(134)**	**0**	**(51)**	**93**	**(92)**	**(7,734)**	**(7,826)**
Transfer from/(to) Earmarked Reserves (Note 8)	7	(7)	0	0	0	0	0
Increase/(Decrease) on 2011/12	**(127)**	**(7)**	**(51)**	**93**	**(92)**	**(7,734)**	**(7,826)**
Balance carried forward as at 31 March 2012	**1,110**	**10,889**	**1,985**	**722**	**14,706**	**29,205**	**43,911**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount 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 on Reserves Statement.

2011/12		2012/13		
Net Expenditure £000 Restated		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,590	Central Services to the public	10,221	7,571	2,650
1,612	Cultural and Retaled Services	2,433	1,025	1,408
5,422	Environmental And Regulatory Service	9,338	2,787	6,551
1,160	Planning Services	1,402	440	962
(358)	Highways and transportation services	2,036	2,093	(57)
954	Housing services	31,712	31,252	460
760	Adult Social care	1,563	1,014	549
1,781	Corporate and democratic core	1,660	22	1,638
(42)	Non distributed costs	49		49
(743)	Exceptional Items	0	0	0
14,136	**Cost of Services**	**60,414**	**46,204**	**14,210**
(466)	Financing and investment income and expenditure (Note 9)	915	987	(72)
(12,214)	Taxation and non-specific grant income (Note 10)		12,202	(12,202)
1,456	**(Surplus)/Deficit of Provision of Services**	**61,329**	**59,393**	**1,936**
0	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets	0	0	0
76	(Surplus)/deficit on revaluation of Available for Sale financial assets		685	(685)
6,294	Actuarial (gains)/losses on pension assets/liabilities	3,285	0	3,285
6,370	**Other Comprehensive Income and Expenditure**	**3,285**	**685**	**2,600**
7,826	**Total Comprehensive Income and Expenditure**	**64,614**	**60,078**	**4,536**

Balance Sheet

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. reserves that the Council 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 to repay debt.) The second category of reserves is those that the Council may not use to fund 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 unaudited accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on xx September 2013.

31 March 2012 £000		31 March 2013 £000
42,393	Property, Plant and Equipment (Note 11)	40,832
212	Heritage Assets (Note 12)	210
178	Investment property (Note 13)	178
280	Intangible Assets (Note 14)	236
0	Long Term Investments (Note 15)	8,175
14,583	Long Term Receivables	14,554
57,646	**Long Term Assets**	**64,185**
8,060	Short Term Investments	7,017
97	Inventories	79
4,434	Short Term Receivables (Note 16)	3,800
6,665	Cash and Cash Equivalents (Note 17)	3,799
19,256	**Current Assets**	**14,695**
(35)	Short Term Borrowing	(29)
(4,515)	Short Term Payables (Note 19)	(7,191)
0	Provisions	(139)
(4,550)	**Current Liabilities**	**(7,359)**
(28,286)	Other Long Term Liabilities	(31,991)
(155)	Capital Grants Receipts in Advance	(155)
(28,441)	**Long Term Liabilities**	**(32,146)**
43,911	**Net Assets**	**39,375**
14,706	Usable Reserves (Note 21)	14,829
29,205	Unusable Reserves (Note 22)	24,546
43,911	**Total Reserves**	**39,375**

Statement of Cash Flows

The Statement of Cash Flows 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.

2011/12 £000		**2012/13 £000**
(1,456)	Net Surplus/(Deficit) on the Provision of Services	(1,936)
1,654	Adjustments to net surplus/(deficit) on the Provision of Services from non-cash movements	6,242
553	Interest and dividends received	430
0	Adjustments for items included in the to net surplus/(deficit) on the Provision of Services that are investing or financing activities	0
751	Net cash flows from Operating Activities (Note 23)	**4,736**
3,849	Investing Activities (Note 24)	(7,596)
0	Financing Activities Note 25)	(6)
4,600	Net increase/(decrease) in cash and cash equivilents	**(2,866)**
2,065	Cash and cash equivalents as at 1 April	6,665
6,665	**Cash and cash equivalents as at 31 March**	**3,799**

Statement of Accounting Policies

1. General Principles
The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those 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 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13, (SeRCOP), which is both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and supported by International Financial Reporting Standards (IFRS).

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

2. Changes in Accounting Policies
There were no changes in accounting policy implemented in 2012/13.

3. Accrual 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 benefit 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 the economic benefit 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 has been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

4. Cash and Cash Equivalents
Cash comprises cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. Cash equivalents are short term, highly liquid investments that mature in 7 days or less from the date of acquisition or are repayable without penalty on notice of no more than 7 days. They are readily convertible to known amounts of cash with insignificant risk of change in value. All funds held in money market funds that are repayable on notice, and bank deposits held are accounted for as cash equivalents. Term deposits that mature in more than 7 days from the date of acquisition are not classified as cash equivalents.

In the Statement of Cash Flows, 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.

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

6. 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 year 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 has been 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 the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

7. 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 Non-current Assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation and has made no minimum revenue provision as the Council has no long term outstanding debt. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

8. Employee Benefits
a) 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 services 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 rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out trough the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated in accordance to the relevant accounting standard. In the Movement on 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 the debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

c) 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 benefit 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 earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond (as measured by the yield on the iboxx Sterling Corporates Index, AA over 15 years).

- The assets of the Surrey Pension Fund attributable to the Spelthorne Borough Council are included in the Balance Sheet at their fair value as follows:
    - Quoted securities - current bid price.
    - Unquoted securities - professional estimate.
    - Unitised securities - current bid price.
    - Property - market value.

- The change in the net pensions liability is analysed into seven components:
    - Current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which employees worked.
    - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in previous years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.
    - Interest Cost - the expected increase in the present value of liabilities during the year as they move a year closer to being paid - debited to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account.

- o Expected return on assets - the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return - credited to the Financing Income and Expenditure line in the Comprehensive Income and Expenditure Account.
- o Gains/losses on settlements and curtailments - the results of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.
- o 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.
- o Contributions paid to the Surrey Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities.

In relation to post employment benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement on Reserve 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 and credits for the cash paid to the pension fund and any amounts payable to the fund 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.

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

Regular valuations are prepared by the professionally qualified actuary appointed by the Surrey Pension Fund. The Balance Sheet discloses the net liability in relation to retirement benefits and the assessment process used to compile the figures takes account of the most recent actuarial valuation updated to reflect current conditions. Therefore, the figures presented are based on the actuary's latest calculations. The assumptions used by the actuary are in accordance with the Code and are mutually compatible.

9. Events after the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date 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 end of 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 authorisation for issue are not reflected in the Statement of Accounts.

10. 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 rate of interest 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 all borrowings the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and the interest charged to the Comprehensive Income and Expenditure Statement is the amount due for the year according to the loan agreement.

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 and determinable payments.

Loans and Receivables

Loans and receivables are recognised in 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 Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the assets multiplied by the effective rate of interest for the instrument. For most of the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has a number of small loans to voluntary organisations at less than market rates (soft loans).

Where assets are identified as impaired because of the 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 Comprehensive Income and Expenditure Statement. Trade receivables are recorded at their nominal amount less an allowance for doubtful debts. The Balance Sheet and the notes to the accounts disclose the amount accordingly.

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. All the Available-For-Sale assets held by the Council have fixed and determinable payments and 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.

Assets are maintained in the Balance Sheet at fair value and values are based on the following principles:

- Instruments with quoted prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

Changes in the 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 the 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 values fall 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 rate of interest. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayments and amortisation).

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

11. 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 Payable. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants and contributions) or Taxation and Non-Specific Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

When 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 or contribution has been received and no conditions remain outstanding at the Balance Sheet date but it 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.

Where a capital grant or contribution has been received and the conditions remain outstanding at the Balance Sheet date, the grant or contribution is held in the Capital Grants Receipts in Advance Account.

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to the 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 in the Comprehensive Income and Expenditure Account. The useful life is deemed to be five years and any gain or loss arising on disposal or abandonment of an intangible asset is posted to the Other Operating expenditure line in the Comprehensive Income and Expenditure Account.

When 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.

13. Inventories
Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Works in progress on works rechargeable to outside bodies or persons are stated at cost price.

14. Investment Property
Investment properties are those that are solely used 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 and Expenditure 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 proceeds greater than £10,000) the Capital Receipts Reserve.

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

Where a lease covers both land and buildings, the land and buildings 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 fulfilment of the arrangement is dependant on the use of specific assets.

The Council as Lessee
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. 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.

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased property, plant or equipment. Changes are made on a straight-line basis over the life of the lease, generally meaning that rentals are charged as they become payable (on an accruals basis).

The Council as Lessor
Where the council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the balance sheet as a disposal and also written off to the comprehensive Income and Expenditure account as part of the gain/loss on disposal.
A gain representing the authority's net investment in the lease is also credited in the comprehensive income and expenditure statement also as part of the gain/loss on disposal (ie 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 are apportioned between a charge for the acquisition of the interest in the property and finance income. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor.

Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement for non investment property assets and to the Financing and Investment Income and Expenditure line for the income from leases of investment property.

16. Overheads and Support Services
The cost of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the council's status as a multi-functional democratic organisation.
- Non-distributed costs – the cost of discretionary pension benefits awarded to employees retiring early and any 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, as part of Net Expenditure on Continuing Services.

17. Property, Plant and Equipment
Assets that have physical substance and are held for use in the provision of services, for rental to others or for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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 with the item will flow to the Council and the cost of the item can be reliably measured. 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 cost of assets other than by purchase is deemed to be its fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure and community assets - 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 for fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost 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 valuation 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 by:

- 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 on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines 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 the 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, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

For intangible asset, plant, vehicles and equipment no depreciation is charged in the year of purchase. It is charged in the year of disposal.

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.

- Vehicles, plant and equipment - vehicles and plant 20% per annum on the reducing balance and IT and other equipment, straight-line allocation over the estimated useful life of the asset, deemed to be 5 years.

Amortisation of intangible assets

- straight-line allocation over useful economic life, deemed to be 5 years

Where an item of property has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals

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 classified as an Asset Held for Sale. These assets are available for immediate sale in their present condition and where the sale is highly probable. 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that the Council may sell at some point but which do not meet the criteria as set out in this policy, are classified as Surplus Assets Held for Disposal. Assets that are 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 (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 disposals in excess of £10,000 are categorised as capital receipts which are credited to the Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Capital Receipts 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.

18. Heritage Assets
A heritage asset is an asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets can be either tangible assets or intangible assets.

Heritage assets are those assets that are intended to be preserved on trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. This class of asset includes historic buildings, archaeological sites, civic regalia, museum and gallery collections, works of art etc. The Council has very few material heritage assets, mainly war memorials and these are carried at valuation.

The carrying amounts of heritage assets are reviewed every year together with the annual impairment review which is carried out by the Head of Asset Management in consultation with the Council's selected Valuer. These assets are re-valued every five years as part of the Council's 5 year rolling valuation programme and any impairment is recognised and measured in line with the Council's general polices on impairment.

19. 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 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 and 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 payments required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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

Contingent liabilities also arise in circumstance 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 reasonably be measured.

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.

20. 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 on 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 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 employment benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

21. 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 so that there is no impact on the level of council tax.

22. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income. The net amount due to or from HM Revenues and Customs is included in Payable or Receivables in the Balance Sheet.

Notes to the Core Financial Statements

1. Analysis of Major Service Areas Expenditure

2011/12 Net £,000	Service Area	2012/13 Expenditure £000	2012/13 Income £000	2012/13 Net £000
	CENTRAL SERVICES TO THE PUBLIC			
352	Elections and Electoral registration	320	2	318
447	General Grants	340	0	340
(68)	Local Land Charges	153	175	(22)
163	Council Tax Benefits	5,927	6,038	(111)
(100)	Local Tax Collection	579	371	208
298	Communications	332	12	320
3	Corporate Management Team	0	0	0
1,072	DS Management Team	350	35	315
826	Enviroment	785	36	749
597	Other	1,435	902	533
3,590		**10,221**	**7,571**	**2,650**
	CULTURAL RELATED SERVICES			
280	Community Safety	424	98	326
765	Leisure & Culture	982	306	676
549	Open Spaces	616	420	196
500	Property Expenses	16	107	(91)
31	Recreation & Sport	84	54	30
(513)	Other	311	40	271
1,612		**2,433**	**1,025**	**1,408**
	ENVIRONMENTAL & REGULATORY SERVICES			
919	Environmental and Public Health	2,056	506	1,550
(219)	Cemeteries	94	342	(248)
145	Building Control	440	326	114
1,754	Open Spaces	1,954	200	1,754
2,730	Refuse & Recycling	3,864	1,364	2,500
93	Other	930	49	881
5,422		**9,338**	**2,787**	**6,551**
	PLANNING SERVICES			
1,160	Planning Services	1,402	440	962
1,160		**1,402**	**440**	**962**
	HOUSING SERVICES			
(156)	Housing Benefits	30,467	30,744	(277)
644	Housing	855	249	606
25	Homelessness	390	250	140
0	Private Sector Housing	0	0	0
441	Other	0	9	(9)
954		**31,712**	**31,252**	**460**
	HIGHWAYS ROADS AND TRANSPORT SERVICES			
(415)	Parking Services	1,974	2,090	(116)
1	Concessionary Fares	0	0	0
56	Other	62	3	59
(358)		**2,036**	**2,093**	**(57)**
	ADULT SOCIAL CARE SERVICES			
193	Community Care Administration	207	0	207
482	Day Centres	749	445	304
(8)	Meals on Wheels	173	193	(20)
126	Spelthorne AccessibleTransport	206	121	85
(33)	Spelthorne Personal Alarm Network	228	255	(27)
760		**1,563**	**1,014**	**549**
	CORPORATE AND DEMOCRATIC CORE			
989	Corporate Management	960	20	940
300	Committee Services and Corporate Governance	320	0	320
492	Democratic Representation and Management	380	2	378
1,781		**1,660**	**22**	**1,638**
(42)	Non Distributed Costs and Accumulated Absences Provision	49	0	49
(743)	Exceptional Item	0	0	0
(785)		**49**	**0**	**49**
14,136	**TOTAL NET COST OF SERVICES**	**60,414**	**46,204**	**14,210**

2. Accounting Standards Issued, Not Adopted
There were no accounting standards issued during 2012/13 that the Council did not adopt.

3. Critical Judgement in Applying Accounting Policies
In applying the accounting policies set out on pages 15 to 27, 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 close facilities and reduce levels of service provision.

4. Prior Period Adjustment
There were no prior period adjustments for 2012/13 (2011/12 £1.465m).

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 2013 for which there is a significant risk of material adjustments 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.
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. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice.	The effect on the net pension's liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Arrears	At 31 March 2013, the Council had a balance of sundry Receivables for £3.8m and has made a provision of £107k for impairment of doubtful debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £107k to be set aside as an allowance.

6. Material Items of Income and Expense
The major item of expenditure included in the Comprehensive Income and Expenditure Account is Housing Benefits which was £30m in 2012/13. However, this expenditure is fully recovered by the receipt of subsidy from central Government, £30m in 2012/13, so the net cost to the Council is minimal.

7. Adjustments between Accounting Basis and Funding Basis under Regulations
Adjustments 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. The adjustments are made against the following reserves:

General Fund Balance
The General Fund is a statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General fund Balance, which is not necessarily in accordance with proper accounting practices. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve
The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which is restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows resources that have to be applied for these purposes at year end.

Capital Grants Unapplied
The Capital grants Unapplied Account holds the grants and contributions received towards capital projects for which that Council has met the conditions that would otherwise require the repayment of the monies but which have yet to be applied to meet capital expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The following tables provide an analysis of the movement in the above reserves for the prior year 2011/12 and for 2012/13:

2011/12	General Fund Balance £000	Capital Grant Unapplied £000	Capital Receipts £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Adjustments primarily involving the Capital Adjustment Account:				
Charges for depreciation and impairment of non-current assets	2,134			(2,134)
Movement in the market value of investment properties	3			(3)
Revenue expenditure funded from capital under statute	929			(929)
Other adjustments	(8)			8
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(366)	353		13
Application of grants to capital financing transferred to the Capital Adjustment Account	(335)	(260)		595
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	(1,132)		1,132	0
Use of the Capital Receipts Reserve to finance new capital expenditure			(1,183)	1,183
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
Revenue Contribution to capital finance	(84)			84
Adjustment primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	186			(186)
Adjustment primarily involving the Collection Fund Adjustment Account:				
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	(5)			5
Total Adjustments	**1,322**	**93**	**(51)**	**(1,364)**

2012/13	General Fund Balance £000	Capital Grant Unapplied £000	Capital Receipts £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Adjustments primarily involving the Capital Adjustment Account:				
Charges for depreciation and impairment of non-current assets	2,355			(2,355)
Movement in the market value of investment properties				0
Revenue expenditure funded from capital under statute	476			(476)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(397)	397		0
Application of grants to capital financing transferred to the Capital Adjustment Account	(343)	(168)		511
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	(319)		319	0
Use of the Capital Receipts Reserve to finance new capital expenditure			(634)	634
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
Revenue Contribution to capital finance	(78)			78
Adjustment primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	420			(420)
Adjustment primarily involving the Collection Fund Adjustment Account:				
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	24			(24)
Adjustment primarily involving the Accumulated Absences Account				
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	7			(7)
Total Adjustments	**2,145**	**229**	**(315)**	**(2,059)**

8. Transfers to and from Reserves
This note sets out the amounts set aside from the General Fund and balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund expenditure in 2012/13.

Reserve Description	Balance as at 31/3/12	Transfers In 2012/13	Transfers Out 2012/13	Balance as at 31/3/13
	£000	£000	£000	£000
General Fund	1,110		(303)	807
Earmarked Reserves:				
Capital Fund	443			443
Interest Equalisation	493			493
New Schemes Fund	1,604			1,604
Housing Initiatives	7,611			7,611
Business Improvement	286			286
Lottery Fund	2			2
Risk Management	0			0
Insurance	50			50
New Homes Bonus	50			50
Revenue Carry Forwards	239			239
Bridge Street	111		(32)	79
Bronzefield Maintenance	0	319	(32)	287
	10,889	319	(64)	11,144
Revenue Grants Unapplied	231	279	(22)	488
TOTAL	**12,230**	**598**	**(389)**	**12,439**

9. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
1	Interest payable and similar charges	0
428	Pension interest cost and expected return on pension assets	859
(560)	Finance Lease Income	(560)
(342)	Interest receivable and similar income	(382)
7	Income and expenditure in relation to investment properties and changes in their fair value	11
(466)		**(72)**

10. Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
6,772	Council tax income	6,988
3,283	Non domestic rates	3,902
1,458	Non-ringfenced government grants	573
701	Capital grants and contributions	739
12,214		**12,202**

11. Property, Plant and Equipment

Movement on Balances in 2011/12:

2011/12	**Other Land and Buildings £000**	**Vehicles, Plant and Equipment £000**	**Total Property, Plant and Equipment**
Cost or valuation			
At 1 April 2011	43,129	4,679	47,808
Additions	113	624	737
At 31 March 2012	**43,242**	**5,303**	**48,545**
Accumulated Depreciation and Impairment			
At 1 April 2011	1,373	2,604	3,977
Depreciation Charge	1,321	741	2,062
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	113	0	113
At 31 March 2012	**2,807**	**3,345**	**6,152**
Net Book Value			
at 31 March 2012	**40,435**	**1,958**	**42,393**
at 31 March 2011	**41,756**	**2,075**	**43,831**

Movement on Balances in 2012/13:

2012/13	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or valuation			
At 1 April 2012	43,242	5,303	48,545
Additions	224	491	715
At 31 March 2013	**43,466**	**5,794**	**49,260**
Accumulated Depreciation and Impairment			
At 1 April 2012	2,807	3,345	6,152
Depreciation Charge	1,453	739	2,192
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	101	(17)	84
At 31 March 2013	**4,361**	**4,067**	**8,428**
Net Book Value			
at 31 March 2013	**39,105**	**1,727**	**40,832**
at 31 March 2012	**40,435**	**1,958**	**42,393**

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

Intangible Assets	5 Years
Land	Freehold land is not depreciated
Buildings	Remaining useful life as estimated by qualified valuer
Vehicles	20% of the carrying amount
Plant and Equipment	5 years

Capital Commitments
The Council had no major capital commitments at 31 March 2013.

Effect of Changes in Estimates
In 2012/13, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations
The Council is required to revalue its Property, Plant and Equipment at least once every five years and a full revaluation of all land and property assets was carried out in March 2011. The valuation was carried out by Campsie 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 and equipment are based on current prices where there is a second-hand market or latest prices adjusted for the condition of the asset.

12. Heritage Assets
The Council's main heritage assets are war memorials and the total book value of these is as follows:

2011/12 £000s	HERITAGE ASSETS War Memorials	2012/13 £000s
	Cost or Valuation	
214	1 April	212
(2)	Depreciation	(2)
212	31 March	**210**

Depreciation is not required on heritage assets which have indefinite lives.However, war memorials have been valued by a qualified valuer and are deemed to have finites lives so depreciation has been charged in line with the Council's policy.

Heritage assets where only insurance values are available have not been reflected in the balance sheet. The statues and sculpture assets are subject to vandalism and the insurance values reflects the level of past insurance claims and the civic regalia and works of art are regarded de-minimus under the Council's asset valuation policy. A full list of individual material items, including war memorials, along with details of their location and valuations is set out in the table below:

Valuation 2011/12	Heritage Asset	Location	Valuation 2012/13
£000s			**£000s**
	War Memorials		
25	Shepperton War Memorial	High Street, Shepperton	25
36	Ashford War Memorial	Church Road, Ashford	36
49	Stanwell War Memorial	High Street, Stanwell	49
48	Cedar Rec War Memorial	Cedars Rec Ground, Sunbury	47
54	Staines War Memorial	Market Square, Staines	53
212	**Heritage Assets valued by Professional Valuer (see table above)**		**210**
	Civic Regalia		
14	Mayoral chains and robes	Council Offices, Knowle Green	14
	Statues and Sculptures		
80	Five Swimmers	Memorial Gardens, Staines	80
30	"Release Every Pattern" (Men & Lino)	Staines Town Centre	30
50	Steel Sculptures in Car Parks	Riverside Car Park, Staines	50
	Works of Art		
11	3 Oil Paintings	Council Offices, Knowle Green	11
185	**Heritage Assets at Insurance Values**		**185**
397	**Total - Heritage Assets (at current and insurance values)**		**395**

It is not practicable to provide accounting information on heritage assets prior to 1 April 2010.

13. Investment Properties
The following items of income and expense have been accounted for in the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement in respect of investment properties:

2011/12 £000s	Investment Properties	2012/13 £000s
(71)	Rental Income from properties	(45)
76	Direct operating expenses arising from investment properties	56
5		**11**

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 receive income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to repair, maintain or enhance investment property.

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

2011/12 £000s	Investment Properties	2012/13 £000s
	Cost or Valuation	
180	Balance at 1 April	178
(2)	Revaluation Adjustment	0
178		**178**

14. Intangible Assets
Intangible assets include purchased software licenses and these are amortised on a straight line basis over a period of five years.

31 March 2012 £000		31 March 2013 £000
154	Balance at 1 April	280
196	New capital expenditure	32
(70)	less Amortisation	(76)
280	**Total**	**236**

15. Financial Instruments

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

31 March 2012			31 March 2013	
Long Term £000	Current £000		Long Term £000	Current £000
		Investments		
-	5,019	Loans and receivables	-	6,017
-	3,041	Available-for-Sale assets	8,175	1,000
-	**8,060**	Total Investments	**8,175**	**7,017**
		Debtors		
-	4,335	Financial assets carried at contract amounts	-	3,800
-	**4,335**	Total Debtors	**-**	**3,800**
		Borrowings		
-	35	Financial liabilitites at amortised cost	-	29
-	**35**	Total Borrowings	**-**	**29**
		Creditors		
-	4,515	Financial liabilities carried at contract amounts	-	7,191
-	**4,515**	Total Creditors	**-**	**7,191**

Income, Expense, Gains and Losses

31 March 2012				31 March 2013		
Financial Assets Loans and Receivables	Financial Assets Available-for-Sale	Total		Financial Assets Loans and Receivables	Financial Assets Available-for-Sale	Total
£000	£000	£000		£000	£000	£000
124	218	342	Interest income	97	285	382
0	(76)	(76)	Increase/(Decrease) in fair value	0	685	685
124	**142**	**266**	**Net Gain for the year**	**97**	**970**	**1,067**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term Receivables and Payable 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 rates at 31st March 2013 of 0.50% to 1.60% for loans and receivables based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature within the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2012			31 March 2013	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
35	35	Financial Liabilities	29	29
0	0	Long-Term Creditors	0	0

31 March 2012			31 March 2013	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
8,060	8,060	Loans and Receivables	7,017	7,017
14,583	14,583	Long-Term Debtors	14,583	14,583

- Available-For-Sale assets are carried in the Balance Sheet at fair value. These fair values are based on public price quotations where there is an active market for the instrument.

- Short term Receivables and Payable are carried at cost as this is a fair approximation of their value.

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 the funds available to meet its financial commitments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates etc.

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. Policies and procedures to minimise risk are set out in the annual Treasury Management Strategy Statement and Annual Investment Strategy approved by the Council. These policies cover principles for overall risk management, as well as covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as exposure to the Council's customers.

This 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. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category and the credit criteria in respect of financial assets held by the Council are as detailed below:

- The Council uses the creditworthiness service provided by Arlingclose to assist its selection of suitable counter-parties. This service aims to assess the credit quality of counter-parties and investment instruments by reference to major rating agencies including Fitch, Moody's and Standard and Poor's. This information is also supplemented by credit default swaps data which provides a market indication of the perceived credit risk for individual institutions. This information may give investors advance warning of credit rating downgrades.
- All credit ratings are generally monitored monthly although the Council is alerted to changes in credit ratings by its treasury advisors, Arlingclose as they are released to the market. Downgraded counter-parties are immediately withdrawn from future use. Investments that no longer meet the Council's minimum criteria are reported to the Chief Finance Officer although where these investments are fixed term deposits, no effective action can be taken until the deposits mature.
- The Council will not solely rely on the Arlingclose service but it will also make use of other sources of generally available information when considering counter-party credit risk. These may include the use of the quality financial press, market data (including credit default swaps, share price, annual reports, statements to the market etc), information on government support for banks and the credit ratings of that government support.
- The Council will only invest in approved counterparties within the UK or approved counter-parties from countries with a minimum sovereign rating of A- from Fitch Ratings or the equivalent Moody's or Standard and Poor's rating.

No formal assessments are generally carried out in respect of individual customers. However, in the event of a significant commitment financial checks would be carried out to minimise the Council's exposure to loss and default.

The Council's maximum exposure to credit risk in relation to investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's investments and deposits, but there was no evidence as at 31 March 2013 that this was likely to happen.

The Council does not generally allow credit for customers but the following table shows an analysis of balances that are due past their payment date.

31 March 2012 £000		31 March 2013 £000
1,027	Less than three months	466
42	Three to six months	37
62	Six months to one year	32
84	More than one year	95
1,215		**630**

Liquidity Risk

The Council has comprehensive cash flow management procedures in place to ensure that cash is available when required. If unexpected movements happen, the Council has ready access to borrowing from the money markets and there is no significant risk that it will be unable to raise finance to meet its commitments. Borrowing facilities are used for day to day cash flow requirements and all loans are currently less than one year duration. All trade and other payables are due to be paid in less than one year.

Market Risk
Interest rate Risk
The Council is exposed principally to risk in terms of its exposure to interest rate movements on its borrowing and investments. The Council is heavily reliant on investment income to support expenditure and has several strategies in place for managing such risk.

An external advisor, currently Arlingclose, has been retained to provide analysis of market movements and to assist in investment decisions based on their knowledge of current market conditions and interest rate forecasting. Investments are usually for fixed terms and during the year the maturity profile of the Council's portfolio shortened considerably due to the adverse conditions in global financial markets.

The Council currently has no variable rate investments except in respect of bank call accounts which are utilised for short term cash flow monies. These are kept under regular review to ensure the account terms and conditions and the interest rate payable remain competitive.

Although the Council currently has no long term borrowings, there are a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into setting the annual budget and which is used to update the budget regularly during the year. This allows for any adverse changes to be accommodated. According to this assessment strategy, at 31st March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be that an additional £105k interest would have been received.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The Council has no long term borrowing and short term borrowing is only used for cash flow management. Therefore there was no significant impact on interest payable.

Price Risk
The Council's currently invests in pooled investment funds including three equity funds, two corporate bond funds and one property fund. There is an element of price risk because there is an active market for these instruments so the Council could be exposed to losses arising from movements in the share prices.

Details of the Council's investments in these funds including the purchase price and market value as at 31st March 2013, are set out below:

Pooled Investment Fund Held at 31/3/13	Purchase Cost £000s	Market value at 31/3/13 £000s
Charteris Elite Income Fund	1,000	1,076
Cazenove UK Corporate Bond Fund	1,500	1,593
M&G Strategic Bond Fund	1,500	1,586
M&G Global Dividend Fund	1,000	1,240
Schroders Income Mazimiser Fund	1,000	1,180
CCLA Property Fund	1,500	1,500
Total Pooled Fund Investments	**7,500**	**8,175**

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

16. Receivables

31 March 2012 £000		31 March 2013 £000
1,196	Central Government bodies	503
3,576	Other entities and individuals	3,659
(338)	less Provision for Bad Debts	(362)
4,434	**Total**	**3,800**

17. Cash and Cash Equivalents
The balance of cash and cash equivalents is made up as follows:

2011/12 £000		2012/13 £000
5	Cash held by the Council	5
242	Bank Current Accounts	247
6,418	Short term deposits with banks & building societies	3,547
6,665	**Total Cash and Cash Equivalents**	**3,799**

19. Assets Held For Sale
The Council currently has no assets held for sale.

19. Payables

31 March 2012 £000		31 March 2013 £000
1,435	Central Government bodies	4,034
617	Other Local Authorities	423
2,463	Other entities and individuals	2,734
4,515	**Total**	**7,191**

20. Provisions

31 March 2012 £000		31 March 2013 £000
-	Property Search Refunds	50
-	Municipal Mutual Insurance	89
-	**Total**	**139**

21. Usable Reserves

In addition to the statutory General Fund Account, the Council hold various other revenue reserve funds which are earmarked for general purposes and other specific uses. The purpose of each of these reserves is set out below, including the balance on the reserve as at 31st March 2013:

Balance 31/3/12	Reserve Description	Purpose of Reserve	Balance 31/3/13
1,110	General Fund	The Council's statutory revenue account	807
443	Capital Fund	Used for financing capital expenditure and to support the General Fund.	443
493	Interest Equalisation	To neutralise the impact of changes in interest rates on the level of investment income across years.	493
1,604	New Schemes Fund	To finance the revenue effects of future capital expenditutre and specific revenue projects.	1,604
7,611	Housing Initiatives	To support low cost social housing initiatives in the public and private sector.	7,611
286	Business Improvement	To provide funds to assist in the implemention of any business improvements designed to realise revenue efficiencies.	286
2	Lottery Fund	Contains the net proceeds of the now closed Spelthorne local lottery and from which grant payments are made.	2
50	Insurance	To provide a level of self insurance cover to offset the possible impact of higher dedictables over the life of the current insurance contract.	50
50	New Homes Bonus	To help fund the transition period after New Homes Bonus grant (formerly Planning Delivery Grant) ceases to be available.	50
239	Revenue Carry Forwards	To provide a fund to enable the completion of works started but unable to be completed within a financial year.	239
111	Bridge Street	To provide a fuund for additional improvement workd required to the Council's car parks.	79
-	Bronzefield Maintenance	Commuted sum received from HMPS in 2012/13 for the maintenance of open spaces at Bronzefield Prison over a ten year period.	287
231	Revenue Grants Unapplied	Grants received for revenue purposes	488
12,230	**Total Usable Revenue Reserves as at 31st March**		**12,439**

For movement in the Council's usable reserves and transfers to and from these reserves see the Movement in Reserves Statement on page 9 and also in Note 8 above.

22. Unusable Reserves

31 March 2012 £000		31 March 2013 £000
13,316	Revaluation Reserve	12,705
(11)	Available For Sale Reserve	675
29,817	Capital Adjustment Account	28,821
14,544	Deferred Capital Receipts Reserve	14,544
(28,286)	Pensions Reserve	(31,991)
(10)	Collection Fund Adjustment Account	(35)
(165)	Accumulated Absences Account	(173)
29,205	**Total Unusable Reserves**	**24,546**

Revaluation Reserve
The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment assets. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

The Reserve contains only the revaluation gains accumulated since 1st 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.

2011/12 £000		2012/13 £000
13,926	**Balance at 1 April**	**13,316**
0	Upward revaluation of assets	0
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
(610)	Difference between fair value depreciation and historic cost depreciation	(611)
13,316	**Balance at 31 March**	**12,705**

Available-For-Sale Financial Instruments Reserve
The Available-For-Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted prices. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

2011/12 £000		2012/13 £000
65	**Balance at 1 April**	**(11)**
-	Upward revaluation of investments	675
(76)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	11
(11)	**Balance at 31 March**	**675**

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 amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting 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 the accumulated gains and losses on investment properties and also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 (Adjustments between Accounting Basis and Funding Basis under Regulations) provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

2011/12 £000		2012/13 £000
30,411	**Balance at 1 April**	**29,817**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,134)	Charges for depreciation and impairment of non-current assets	(2,355)
(929)	Revenue expenditure funded from capital under statute	(476)
610	Adjusting amounts written out of the Revaluation Reserve	611
27,958	Net written out amount of the cost of non-current assets consumed in the year	**27,597**
	Capital financing applied in the year:	
1,183	Use of the Capital Receipts Reserve to finance new capital expenditure	634
335	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	343
260	Application of grants to capital financing from the Capital Grants Unapplied Account	168
84	Capital expenditure charged against the General Fund balance	79
1,862		**1,224**
(3)	Movement in the value of Investment Properties	0
29,817	**Balance at 31 March**	**28,821**

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 pay any pension 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.

2011/12 £000		**2012/13 £000**
(21,806)	**Balance at 1 April**	**(28,286)**
(6,294)	Acturial gains and losses on pension assets and liabilities	(3,285)
(2,114)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,173)
1,928	Employer's pension contributions and direct payments to pensioners payable in the year	1,753
(28,286)	**Balance at 31 March**	**(31,991)**

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.

2011/12 £000		**2012/13 £000**
14,544	**Balance at 1 April**	**14,544**
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	Finance Lease Debtor	0
14,544	**Balance at 31 March**	**14,544**

Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
16	**Balance at 1 April**	**11**
(5)	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	24
11	**Balance at 31 March**	**35**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing 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 by transfers to or from the Account.

2011/12 £000		2012/13 £000
185	**Balance at 1 April**	**165**
(20)	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
165	**Balance at 31 March**	**173**

23. Statement of Cash Flows – Operating Activities
The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
(1,456)	**Net surplus/(deficit) from Operating Activities**	**(1,936)**
	Adjusted for non cash items:	
2,134	Depreciation and Impairments	2,355
553	Interest and dividends received	430
3	Gains on investment properties	0
186	Transfers to/from Reserves	420
(680)	Movement in debtors/creditors	3,310
11	Other financing	157
751	**Net Cash Flows from Operating Activities**	**4,736**

24. Statement of Cash Flows – Investing Activities

2011/12 £000		2012/13 £000
	Balance at 1 April	
819	Purchase of property, plant and equipment	748
196,626	Purchase of short-term and long-term investments	185,191
(201,630)	Proceeds from short-term and long-term investments	(178,343)
(217)	Other payments for investing activities	
(4,402)	**Net cash flows from investing activities**	**7,596**

25. Statement of Cash Flows – Financing Activities

2011/12 £000		2012/13 £000
	Balance at 1 April	
1	Cash receipts from short and long-term borrowing	0
0	Other receipts from financing activites	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
(1)	Repayments of short and long-term borrowing	(6)
0	Other payments from financing activities	0
0	**Net cash flows from financing activities**	**(6)**

26. 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 2012/13, (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement).

- The cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather that current service cost of accrued in the year.

- Expenditure on some support services is budgeted for centrally and not charged to Cabinet portfolios.

The income and expenditure of the Council's portfolios recorded in the budget reports for the year is as follows;

2011/12									
Cabinet portfolios Income and Expenditure	**Communications £000**	**Comm Safety £000**	**Finance £000**	**Environment £000**	**Health £000**	**Planning £000**	**Economic £000**	**Young People £000**	**Total £000**
Fees, charges & other service income	(110)	(509)	(2,288)	(1,561)	(905)	(1,391)	(852)	(1,039)	(8,655)
Government grants	0	0	0	0	0	(34,889)	0	0	(34,889)
Total Income	(110)	(509)	(2,288)	(1,561)	(905)	(36,280)	(852)	(1,039)	(43,544)
Employee expenses	505	613	3,069	2,652	1,435	2,120	668	369	11,431
Other service expenses	427	1,408	1,732	1,746	527	35,976	691	2,055	44,562
Support service recharges	0	0	0	0	0	0	0	0	0
Total Expenditure	932	2,021	4,801	4,398	1,962	38,096	1,359	2,424	55,993
Net Expenditure	**822**	**1,512**	**2,513**	**2,837**	**1,057**	**1,816**	**507**	**1,385**	**12,449**

2012/13										
Cabinet portfolios Income and Expenditure	**Communications £000**	**Comm Safety & Young People £000**	**Finance & Resources £000**	**Environment £000**	**Corporate Governance £0**	**Health Wellbeing and Ind Living £000**	**Planning & Housing £000**	**Economic Development £000**	**Parks & Assets £000**	**Total £000**
Fees, charges & other service income	(61)	(285)	(2,583)	(1,413)	(70)	(754)	(1,147)	(878)	(1,262)	(8,453)
Government grants							(37,362)			(37,362)
Total Income	(61)	(285)	(2,583)	(1,413)	(70)	(754)	(38,509)	(878)	(1,262)	(45,815)
Employee expenses	474	273	2,040	2,423	1,242	1,404	2,274	23	644	10,797
Other service expenses	970	251	1,729	1,744	403	849	37,003	327	3,398	46,674
Support service recharges	0	0	0	0	0	0	0	0	0	0
Total Expenditure	1,444	524	3,769	4,167	1,645	2,253	39,277	350	4,042	57,471
Net Expenditure	**1,383**	**239**	**1,186**	**2,754**	**1,575**	**1,499**	**768**	**(528)**	**2,780**	**11,656**

Reconciliation of Cabinet portfolios Income and Expenditure to Cost of Service in the Comprehensive Income and Expenditure Statement

This reconciliation show how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

£000		**£000**
12,449	Net expenditure in the Cabinet portfolio analysis	11,656
2,134	Depreciation and impairments	2,355
0	Provisions for MMI and Property Search Fees	139
113	Capital Enhancements	0
817	Capital Expenditure by statute	476
(1,833)	Capital receipts and grants received & used for financing	(398)
246	Net current cost of retirement benefits	0
0	Pension Past Service Credit	0
560	Finance lease debtor Income	560
(19)	Accumulated absences provision	8
(71)	Support service recharges	(66)
(260)	Expenditure between portfolio report and accounts closed	3
0	Bronzefield Commutted Sum	(287)
0	Revenue expenditure and grant income	(257)
0	Bridge Street	32
0	Investment Properties	(11)
14,136	**Cost of Services in Comprehensive Income and Expenditure Statement**	**14,210**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Cabinet portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Service included in the Comprehensive Income and Expenditure Statement.

2011/12 £000		2012/13 £000
12,449	Net Expenditure in the Cabinet Portfolio analysis	11,656
2,134	Depreciation	2,355
113	Capital Enhancements	0
(19)	Accumulated absences provision	8
(260)	Expenditure between portfolio report and accounts closed	3
(587)	Statement adjustments	0
0	Capital Receipts and grants used for financing	(398)
0	Capital Expenditure by Statute	476
0	Provision for MMI and Property Search Fees	139
(743)	Exceptional Item - Vat reimbursement	0
560	Net investment in finance lease	0
0	Bronzefield Commutted Sum	(287)
0	Bridge Street	32
428	Net Pension Interest cost	859
1	Interest paid	1
(71)	Support service recharges	(66)
0	Revenue expenditure and grant income	(257)
(342)	Investment Interest Income	(382)
7	Income, Expenditure and change in fair value of investment properties	0
(701)	Recognised capital grants and contributions	(740)
(6,772)	Council tax	(6,988)
(3,283)	National non -domestic rates	(3,902)
(1,015)	Revenue support grant	(76)
(443)	Non service related government grants	(497)
1,456	**(Surplus)/Deficit of Provision of Services**	**1,936**

27. Members Allowances
The Council paid the following amounts to members of the Council during the year:

2011/12 £000		2012/13 £000
235	Allowances	211
5	Expenses	2
240	**Total**	**213**

28. Senior Officers' Remuneration
The remuneration paid to the Council's senior employees is as follows:

Title	Taxable Salary	Bonuses / Expenses	Compensation for loss of office	Benefits in Kind	Total (excl employers pension contributions)	Employers pension contributions	Total incl Employers pension contributions
	£	£	£	£	£	£	£
Chief Executive	111,760	0	0	0	111,760	17,375	129,135
Assistant Chief Executive	75,382	0	0	0	75,382	11,866	87,248
Assistant Chief Executive	71,836	0	0	0	71,836	11,274	83,110
Assistant Chief Executive	63,612	0	0	5,891	69,503	11,866	81,369
Head of Corporate Governance	68,950	0	0	0	68,950	10,470	79,420

Taxable pay is a net figure reflecting additional voluntary contributions, the figures do not therefore in all cases reflect underlying salaries.

The Council's employees receiving more than the £50,000 remuneration for the year (excluding pension contributions) was paid the following amounts:

Remuneration Band (inc Salary and Benefits)	Number 2011/12	Number 2012/13
125,000 and above	3	
120,000 - 124,999		
115,000 - 119,999	1	
110,000 - 114,999		1
105,000 - 109,999		
100,000 - 104,999		
95,000 - 99,999		
90,000 - 94,999		
85,000 - 89,999		
80,000 - 84,999	1	
75,000 - 79,999		1
70,000 - 74,999	1	1
65,000 - 69,999	2	3
60,000 - 64,999	4	2
55,000 - 59,999	1	2
50,000 - 54,999	5	3
	18	13

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0-£20,000	5	5			5	5	27,934	48,088
£20,001-£40,000	4		1		5		136,371	
£40,001-£60,000	2				2		113,802	
£60,001-£80,000	1				1		61,057	
£80,001-£100,000	1				1		83,043	
£100,001-£150,000							-	
Total	13	5	1	0	14	5	422,207	48,088

The Authority terminated the contracts of a number of employees in 2012/13, incurring liabilities of £48,088 (£422,207 in 2011/12) as set out above. Of this total, £14,415 is payable to 1 officer from Financial services. The remaining £33,673 is payable to 2 officer's from Parking Services,1 officer from Housing Services & 1 officer from Streetscene, who were made redundant as part of the Authority's rationalisation of these services.

29. External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, Certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditor:

2011/12 £000		2012/13 £000
110	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	63
6	Fees payable to KPMG in respect of additional work	0
37	Fees payable to KPMG for the certification of grant claims and returns for the year	11
153	Total	**74**

30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £000		2012/13 £000
	Taxation and Non Specific Grant Income	
3,283	National Non Domestic Rate (NNDR)	3,902
1,015	Revenue Support Grant (RSG)	76
443	Other Revenue Grants	497
4,741	**Total**	**4,475**
	Credited to Services	
35,468	Housing Benefits	37,312
134	National Non Domestic Rates	131
50	Other grants	70
35,652	**Total**	**37,513**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year end are as follows:

2011/12 £000		2012/13 £000
	Capital Grants Receipts in Advance	
335	Specific Capital grant (SCG)	343
0	Other grants	0
260	Contributions	168
595	**Total**	**511**

31. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, providing a significant amount of funding in the form of grants and it prescribes the terms of many of the transactions the Council has with other parties (eg. housing benefits). Details of balances with government departments are set out in notes 17 and 20 and details of cash received from government grants are set out in note 31 above.

Members of the Council have direct control over the Council's financial and operating policies. During 2012/13 there were no material related party transactions between the Council and Council members. Any declarations of interest are properly recorded in the Register of member's Interests, which is open to public inspection. Senior officers also have the ability to influence the Council and during 2012/13 there were no related party transactions between the Council and senior officers.

32. Capital Expenditure and Financing

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:

2011/12 £000	CAPITAL FINANCING REQUIREMENT	2012/13 £000
0	**Opening Capital Financing Requirement**	**0**
	Capital investment	
737	Property, Plant and Equipment	715
0	Investment Properties	0
196	Intangible Assets	32
929	Revenue Expenditure Funded from Capital under Statute	477
1,862	**Total Capital Investment**	**1,224**
	Sources of Finance	
(1,183)	Capital Receipts	(634)
(595)	Government Grants and Contributions	(511)
(84)	Sums set aside from Revenue	(79)
0	Direct Revenue Contributions	0
(1,862)	**Total Sources of Finance**	**(1,224)**
0	**Closing Capital Financing Requirement**	**0**

There is no net movement in the year on the Capital Financing Requirement (CFR)

The total amount of capital expenditure on the various services incurred in the year is shown in the table below for additional information, together with the resources that have been used to finance it.

2011/12	CAPITAL EXPENDITURE AND FINANCING	2012/13
£,000	**Housing**	**£,000**
700	Improvement Grants	431
15	Grants to Housing Associations	-
715		431
	Leisure	
50	Parks and Recreation Grounds	131
28	Walled Garden	-
11	Bowls Club Management	-
-	Fitness Kit	21
89		152
	Community care	
10	Day Centres	56
10		56
	Highways and Transportation	
89	Car Parks	73
89		73
	Environmental Services	
347	Refuse Collection & Recycling	66
119	Environmental Initiatives	36
466		102
	Other	
96	Town Centre Improvement Projects	-
364	Computer Developments	85
33	Knowle Green	279
-	Lammas Sea Cadet	46
493		410
1,862	**TOTAL CAPITAL EXPENDITURE**	**1,224**
	Summary of Financing	
1,183	Capital Receipts	634
335	Specific Government Grants	343
260	Other Grants and Contributions	168
84	Revenue Reserves	79
1,862	**TOTAL CAPITAL FINANCING**	**1,224**

33. Leases

Council as lessee
Operating Leases
Expenditure on operating leases in 2012/13 was £965,006 (2011/12 £1,026,806)

Expenditure on an arrangement within the grounds maintenance contract which has been classified as an operating lease was valued at £113,760 in 2012/13 and £123,500 in 2011/12. The disclosed payments also include payments for non – lease elements within the grounds maintenance arrangement.

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

2011/12 £000		2012/13 £000
126	Not later than one year	222
412	Later than one year and not later than five years	695
83	Later than five years	0
621		**917**

Council as Lessor

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

- For the provision of the community services, such as sports facilities, tourism services and community centres.

- For economic development purposes to provide to suitable accommodation for local businesses.

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

2011/12 £000		2012/13 £000
6	Not later than one year	50
86	Later than one year and not later than five years	41
129	Later and five years	119
221		**210**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rents reviews. In 2012-13 £0 contingent rents were receivable by the Council (2011/12 £0).

Council as Lessor

Finance Leases

2011/12 £000		2012/13 £000
14,544	Finance lease debtor (net present value of minimum lease payments):	14,544
122,656	Unearned finance income	122,096
3,830	Unguaranteed residual value of property	3,830
141,030	Gross investments in the lease	**140,470**

Gross Investment in the Lease 31-Mar-12 £000	Gross Investment in the Lease 31-Mar-13 £000		Minimum Lease Payments 31-Mar-12 £000	Minimum Lease Payments 31-Mar-13 £000
560	560	Not later than one year	560	560
2,240	2,240	Later than one year and not later than five years	2,240	2,240
138,230	137,670	Later than five years	134,400	133,840
141,030	**140,470**		**137,200**	**136,640**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

34. Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in note 12 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

There were impairment losses of £84k in 2012/13 (£Nil in 2011/12).

36. Defined Benefit Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, 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 needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered locally 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 pension liabilities with investment assets.

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 post employment/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.

2011/12 £000		2012/13 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
1,327	Current service costs	1,314
28	Past service costs	
331	Settlements and Curtailments	
	Financing and Investment Income and Expenditure	
4,198	Interest cost	3,948
(3,770)	Expected return on scheme assets	(3,089)
2,114	Total Post Employment Charged to the Surplus or Deficit on the Provision of Services	**2,173**
	Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	
(6,294)	Acturial gains and losses	(3,285)
(4,180)	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(1,112)**
	Movement in Reserves Statement	
(2,114)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,173)
	Actual amount charged against the General Fund Balance for pensions in the year:	
1,928	Employers' contributions payable to the scheme	1,753

Assets and Liabilities in Relation to Post-Employment Benefits
Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

2011/12 £000	Funded Liabilities: Local Governement Pension Scheme (LGPS)	2012/13 £000
77,118	**Opening Balance at 1 April**	**83,245**
1,327	Current Service Cost	1,314
4,198	Interest Cost	3,948
462	Contributions by scheme participants	450
3,519	Acturial gains and losses	8,720
(3,524)	Benefits paid	(3,539)
28	Past service costs	0
(214)	Entity combinations	(221)
331	Curtailments	0
83,245	**Closing Balance at 31 March**	**93,917**

Reconciliation of the fair value of the scheme plan assets:

2011/12 £000		2012/13 £000
55,312	**Opening Balance at 1 April**	**54,959**
3,770	Expected rate of return	3,089
(2,775)	Acturial gains and losses	5,435
1,714	Employers contributions	1,532
462	Contributions by scheme participants	450
(3,524)	Benefits paid	(3,539)
54,959	**Closing Balance at 31 March**	**61,926**

The expected return on the scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £8,524,000 (2011/12: £1,004,000).

Scheme History

Present value of liabilities in the Local Government Pension Scheme	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Fair value of assets in the scheme	39,189	54,694	55,312	54,959	61,926
Present value of Defined Benefit Obligation	(61,359)	(93,230)	(77,118)	(83,245)	(93,917)
Surplus/(Deficit) in the scheme	**(22,170)**	**(38,536)**	**(21,806)**	**(28,286)**	**(31,991)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £31,991,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy and the deficit will be made good by increased contributions over the remaining working life of employees (i.e. before payments become due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £1,568,000

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 are payable in future years dependant on assumptions about mortality rates, salary levels etc. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

2011/12		2012/13
%	**Long-term expected rate of return on assets in the scheme:**	**%**
6.30	Equity Investments	4.50
3.90	Bonds	4.50
4.40	Property	4.50
3.50	Cash	4.50
Years	**Mortality assumptions:**	Years
	Longevity at 65 for current pensioners:	
21.90	Men	21.90
24.00	Women	24.00
	Longevity at 65 for future pensioners:	
23.90	Men	23.90
25.90	Women	25.90
%	**Other assumptions:**	%
2.50	Rate of inflation	2.50
4.80	Rate of increase in salaries	5.10
2.50	Rate of increase in pensions	2.80
4.80	Rate of discounting scheme liabilities	4.50
25.00	Take-up of option to convert annual pension to retirement lump sum	25.00

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

31 March 2012 £000		31 March 2013 £000
73	Equity investments	76
18	Debt instruments	18
9	Other assets	6
100		100

History of Experience Gains and Losses
The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(40.88)	25.41	(4.34)	(5.05)	8.78
Experience gains and losses on liabilities	(0.04)	0.18	(6.22)	1.59	(0.06)

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure account is £3.285m for 2012/13 and £6.294m for 2011/12.

36. Contingent Liabilities
No specific provision has been made for the following in the accounts:

- Mortgage guarantees on shared ownership properties which will only occur if the mortgagees default on payment and any charge to the Council will be accounted for at that time.

- Several Property Search Companies are seeking refunds from local Councils in England and Wales in respect of fees paid to access land charges data. Although proceedings have not yet been issued it is likely that claims will be made against this Council for alleged anti-competitive behaviour.

37. Contingent Assets
The Council has an agreement with SLM Ltd regarding replacement of fitness kit for Spelthorne Leisure Centre. This may result in additional management fee income from £11,000 -£30,000 in the next financial year. No specific provision has been made for this in the accounts.

38. Events after the Balance Sheet Date.

Non –Domestic rate appeals : From the 1st April 2013 local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, this will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. At the 31st March 2013 the Council's potential liability to such appeals is estimated at £307,638.

Collection Fund

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 Council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2011/12 £000		2012/13 £000
	Income	
54,182	Income from Council Tax	56,109
	Transfers from the General Fund:	
5,813	Council Tax Benefits	5,927
59,995		62,036
40,374	Income collectable from Business ratepayers	44,449
	Contributions:	
83	Towards previous year estimated Collection Fund Deficit	(70)
100,452	**Total Income**	**106,415**
	Expenditure	
59,880	Precepts and demands from County and Police	62,033
	Business Rate:	
40,054	Payment to the National Pool	44,029
134	Costs of Collection	131
	Impairment of debts/appeals:	
390	Write off of uncollectable amounts	491
(55)	Allowance for impairment	(56)
100,403	**Total Expenditure**	**106,628**
(146)	**Balance brought forward 1st April 2011**	(97)
49	**Movement in Fund**	(213)
(97)	**Balance carried forward 31st March 2012**	**(310)**

Breakdown of the balance on the Collection Fund:

2011/12 £000		2012/13 £000
(73)	Surrey County Council	(234)
(13)	Surrey Police	(41)
(11)	Spelthorne Borough Council	(35)
(97)		(310)

Council Tax

To calculate the total yield from the council tax it is necessary to covert the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) to an equivalent number of band D dwellings. The calculation for 2012/13 is as follows:

Valuation Band	Number of Chargeable Dwellings	Ratio	Equivalent Band D dwellings	Estimated Yield at £1,525.37 £
A	335	6/9	223	330,531
B	1264	7/9	983	1,457,003
C	7095	8/9	6307	9,348,235
D	12776	1	12776	18,936,587
E	8989	11/9	10986	16,283,449
F	4156	13/9	6003	8,897,647
G	1899	15/9	3165	4,691,163
H	92	18/9	184	272,726
Total	**36606**		**40627**	**60,217,340**
Allowance for losses on collection and appeals			244	361,657
Council Tax base and expected yield			**40871**	**60,578,997**

Non-Domestic Rates

The Council collects non-domestic rates on behalf of the Government which are based on local rateable values multiplied by a national non-domestic rate multiplier. The total collected is paid into a central NNDR pool managed by central Government, which pays authorities their share of the pool based on a standard amount per head of the local adult population.

The non-domestic rateable value as at 31 March 2013 was £101,379,915 and the multiplier for 2012/13 was £0.458

Precepts and Demands on the Collection Fund

2011/12 £'000	Precepts and Demands	2012/13 £'000
45,088	Surrey County Council	46,754
8,018	Surrey Police	8,275
6,774	Spelthorne BC	7,004
59,880		**62,033**

Distribution of Deficit

2011/12 £'000	Distribution of Deficit	2012/13 £'000
(64)	Surrey County Council	53
(11)	Surrey Police	9
(8)	Spelthorne BC	8
(83)		**70**

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Spelthorne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, this includes arrangements for the management of risk.

The 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 code is on our website at www.spelthorne.gov.uk or can be obtained from The Council Offices, Knowle Green, Staines TW18 1XB. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) Regulations 2011 in relation to the publication of an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled. It also identifies activities through which the Council accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives of appropriate, cost effective services.

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

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

The Governance Framework

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

<u>Identifying and communicating our vision and outcomes for citizens and service users</u>

- The Council publishes on an annual basis its Corporate Plan. The Council's current Corporate Plan 2012-15 is published on the website **http://www.spelthorne.gov.uk/corporateplan**). The Corporate Plan and priorities feed

into the Service Plans which set out the financial and performance objectives of each service for the year.
- Additional resource and focus has been put into ensuring comprehensive completion of service plans.
- Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective.

Reviewing our vision and its implications for our governance arrangements
- The Council regularly reviews the authority's vision and its implications for the authority's governance arrangements. The Council reviewed and updated in December 2012 a new set of Corporate priority themes. Progress towards the achievement of the objectives will be monitored through the performance management system and by the Performance Management and Review Committee.

- The Council engages with the public and translates the community's priorities into a Community Plan in conjunction with our partners

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

- Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.

- The Council undertakes when appropriate consultation exercises and uses focus groups and a wide variety of other methods to obtain feedback from the community.

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

- Spelthorne Borough Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Council operates Executive arrangements with a Leader and Cabinet (from 2011-12 it is operating the Strong Leader model whilst retaining a Cabinet) who recommend the major policies and strategies to the Council. The Cabinet is also responsible for most of the non-regulatory functions of the Council. The Executive is made up of the Leader and eight other cabinet members, who are all appointed by the Council. Major decisions which affect significant proportions of the community are published in advance in the Cabinet's Forward Plan, and will always (unless there are exceptional circumstances) be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

- There is one scrutiny committee ie. the Overview and Scrutiny Committee which reviews decisions and actions taken by the Cabinet and other Council functions. A "call-in" procedure allows scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The scrutiny committee also reviews, monitors and scrutinises the performance of the Council in relation to its policy objectives, performance targets, action plans and relationships with external partnership bodies and organisations. Within its community leadership functions, the scrutiny powers have been exercised by the Council in relation to the work of other partner organisations which affect the whole of the Spelthorne Community.

- The Council has agreed a Local Code of Corporate Governance in accordance with the revised CIPFA/SOLACE Framework for Corporate Governance and in doing so has adopted the highest possible standards for the governance of the authority.

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

The standards of conduct and personal behaviour expected of members and officers of Spelthorne Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols. The Members Code of Conduct was revised in Summer 2012 reflecting the Localism Act The protocols include:

- Member Code of Conduct Committee
- A performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- An Anti Fraud and Corruption policy
- Member/officer protocols

Whistle-blowing and receiving and investigating complaints from the public

- Confidential reporting arrangements are in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

- The Council handles complaints effectively and keeps under review it's complaints handling processes.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Council regularly reviews and updates standing orders, standing financial instructions, its scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks. In the last four years both Financial Regulations and Contract Standing Orders have been revised in light of changing circumstances. Refresher Training on application of the contract standing orders has been provided to officers.

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

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

- Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation. Reminders are provided for staff on key policies which protect them and the public, for example the whistle-blowing policy and the Money Laundering Regulations.

- The Council has a designated Monitoring Officer who is the Head of Corporate Governance who is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and the Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports have been necessary in recent years.

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

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources. Performance against targets is reported regularly to Overview and Scrutiny Committee and performance against targets is maintained online on the Council's performance management system available for review by Councillors and officers.

Financial Management

- The financial management of the Council is conducted in accordance with the financial rules set out in Part 4 of the Constitution, which includes the financial regulations. The Council has a designated officer who fulfils the role of the Section 151 Officer in accordance to the Local Government Act 1972. The Council has in place a medium term financial strategy.

- Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

- Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

  In particular, the process in 2012/13 included:

- The setting of the outline budget framework and the detailed annual budget;
- Monitoring of actual income (including investment returns) and expenditure against the annual budget;
- Setting of financial and performance targets, including the prudential code and associated indicators;

- Monthly reporting of the Council's financial position to corporate Management Team and quarterly to the Cabinet and the Overview and Scrutiny Committee;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.

Effectiveness of Internal Audit

- The Council maintains an internal audit section, which operates to the standards set out in the "Code of Practice for Internal Audit in Local Government in the UK
- The Council has an objective and professional relationship with External Audit and statutory inspectors. as evidenced in the Annual Audit Letter
- A review of the effectiveness of internal audit is undertaken annually and considered by the Audit Committee.

A Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

- The Council has an Audit Committee which is responsible for considering the effectiveness of the Council's system of internal control. This Committee performs the core functions as set out in CIPFA guidance. Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

Compliance

The Council's financial management arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) with the Chief Financial Officer being a member of the corporate management team.

Performance and Risk Management

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.
- The Chief Finance Officer is currently the authority's risk champion. Audit Services support the risk management process through the risk based audit approach and by assisting services in the review of annual risk assessments. Risk management is built into the Council's corporate project methodology.

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

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

Incorporating good governance arrangements in respect of partnerships and other group working

- The Council incorporates good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflects these in the authority's overall governance arrangements. The Head of Corporate Governance is currently reviewing the governance of partnerships.

The ethical conduct of members and officers of this Council

- The Council has under the Constitution established a Members Code of Conduct Committee and a Members Code of Conduct which has recently been revised in accordance with the new national framework.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit Services' annual report, and also by comments made by the external auditor and other review agencies and inspectorates.

Officer's reviewed the Council's governance arrangements and assessed them against the six CIPFA/SOLACE core principles underpinning the then new Code of Corporate Governance framework issued by CIPFA/SOLACE. The six principles are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust accountability

An officer working group consisting of Head of Audit Services, Head of Corporate Governance and Head of Finance and Resources completed during 2011-12 a detailed assessment of the Council's position against the criteria set out in the eight objectives underpinning the Code of Governance framework. This officer group reviewed and updated the assessment during 2012-13, including reviewing the previous work of the Task Group. The eight objectives are:

- Establish principal statutory obligations and organisational objectives
- Identify principal risks to achievement of objectives
- Identify and evaluate key controls to manage principal risks

- Obtain assurances on effectiveness of key controls
- Evaluate assurances and identify gaps in control/assurances
- Action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance
- Produce the Annual Governance Statement
- Report to Audit Committee

The review included reviewing the constitution, procedures and obtaining confirmation of arrangements from key officers to ensure that there was sufficient and relevant evidence to provide assurance that there are appropriate controls in place.

The officers' review of arrangements against the six principles included considering the arrangements in place for:

- The authority
- The Cabinet
- The Audit committee and Overview and Scrutiny Committee
- The Members Code of Conduct Committee
- Internal audit
- Other explicit review/assurance mechanisms.

The matrices used to review the arrangements were circulated to members of the Audit Committee.

The review this year has provided reassurance to management of the Council that the governance arrangements in place are adequate and effective. The review has been considered by the corporate management team as well as by Audit Committee

Significant governance issues

The overall opinion of the Head of the Audit Partnership is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit services during 2012/13 which is summarised in this report.

Any shortcomings identified with a significant level of risk attached have been transferred onto the Council's Corporate Risk Register for quarterly monitoring by Management Team and the Audit Committee.

Cllr Watts	R.Tambini
…………………………………………..	…………………………………………..
Cllr Robert Watts Leader of the Council	Roberto Tambini Chief Executive

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

We have audited the financial statements of Spelthorne Borough Council for the year ended 31 March 2013 on pages 9 to 66. 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 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, set out on page 9, the Chief Finance Officer is responsible for the preparation of financial statements 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 Practice's 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 Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. 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 the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/12.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 67 to 73 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11 of the Audit Commission Act 1998; or

- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

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

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

Auditor's responsibilities
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.

Basis of conclusion
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 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for 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 2013.

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 2011, we are satisfied that, in all significant respects, Spelthorne Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Spelthorne Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Tamas Wood
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

XX September 2013

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:
(i) recognising,
(ii) selecting measurement bases for, and
(iii) presenting assets, liabilities, gains, losses and changes to reserves.
Accounting policies do not include estimation techniques.
Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the accounts it is to be presented.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:
(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
(b) the actuarial assumptions have changed.

BEST VALUE

A Government initiative introduced in 1998 in a series of pilot projects and now supported by legislation from 1999, which is aimed at measuring the economy, efficiency and effectiveness of all local Council services.

BUDGET

The Council's aims and policies set out in financial terms against which performance is monitored. Both revenue and capital budgets are prepared.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL ADJUSTMENT ACCOUNT

An account that reflects the extent to which fixed assets have been financed from revenue contributions or capital receipts, and the provision for the repayment of external loans. This account replaced the Capital Financing Account from 1st April 2007.

CAPITAL RECEIPTS

The proceeds from the sale of (or reduction in our interest in) capital assets such as land, buildings and equipment.

COLLECTION FUND

An account maintained by a district council recording the amounts collected in council tax.

COMMUNITY ASSETS

The council also owns assets classified as community assets. This includes land in cemeteries and parks which is held for community use in perpetuity, has no determinable useful life and may have restrictions on disposal. These assets are generally valued at historic cost and are not shown in the Balance Sheet as the historic cost is de-minimus.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENCY

A situation, which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTINGENT LIABILITIES

A potential liability that is uncertain because it depends on the outcome of a future event.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

A local tax levied by local authorities on its residents.

PAYABLE

An individual or body to which the Council owes money at the Balance Sheet date.

CURRENT ASSET

An asset that is realisable or disposable within less than one year without disruption to services.

CURRENT LIABILITY

A liability that is due to be settled within one year.

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(a) termination of employee’s services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and

(b) termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

RECEIVABLE

An individual or body that owes money to the Council at the Balance Sheet date.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute represent spending which may properly be capitalised, but where no tangible fixed asset is created e.g. improvement grants and social housing grants.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions (fixed as an amount or as a percentage of pay) and will have alegal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current prior periods.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, obsolescence or other changes.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 2006.

DOUBTFUL DEBT

A debt that the Council is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, 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.

EXPERIENCE GAINS/LOSSES

These are a type of actuarial gain/loss within the valuation of the pension fund. See actuarial gains/losses.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL REPORTING STANDARD (FRS)

Accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.

FIXED ASSETS

Tangible assets that benefit the local Council and the services it provides for a period of more than one year.

GENERAL FUND
The division of the Council's accounts covering services paid for by the precept on the Collection Fund (Council Tax).

GOING CONCERN
The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS
Government assistance whether in the form of cash or transfers of assets in return for compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSETS
Heritage asset are assets with historic, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for its contribution to knowledge and culture.

IMPAIRMENT
A reduction in the value of a fixed asset below its carrying amount in the Balance Sheet .

INFRASTRUCTURE ASSETS
Fixed assets that are inalienable, expenditure that is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTERNATIONAL FINANCIAL REPORTING STANDARDS
Accounting practices recommended by the major accounting bodies and applied internationally.

INVESTMENTS
A long-term investment that is intended to be held for use on a continuing basis in the activities of the Council.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential.

LIQUID RESOURCES
Current asset investments that are readily disposable by the Council without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

LONG-TERM ASSET
A fixed asset that may be held indefinitely for the provision of services or is realisable over a longer period than one year.

LONG-TERM BORROWING
A loan repayable in more than one year from the Balance Sheet date.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

LONG-TERM RECEIVABLE
An individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

NATIONAL NON-DOMESTIC RATE (NNDR)
Business rate levied on companies and other businesses etc.

NET ASSETS
The amount by which assets exceed liabilities (same as net worth).

NET BOOK VALUE
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET CURRENT LIABILITIES
The amount by which current liabilities exceed current assets.

NET CURRENT REPLACEMENT COST
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET EXPENDITURE
Total expenditure for a service less directly related income.

NET REALISABLE VALUE
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NET WORTH
The amount by which assets exceed liabilities (same as net assets).

NON-DISTRIBUTED COSTS
Overheads for which no direct user benefits and which are therefore not apportioned to services.

NON-OPERATIONAL ASSETS
Fixed assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES
A lease other than a finance lease.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local Council in the direct delivery of those services for which it has either a statutory or discretional responsibility.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

POST BALANCE SHEET EVENTS

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:
(a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and
(b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROVISIONS

An estimated figure within the accounts for liabilities that are known to exist, but that cannot be measured accurately.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:
(i) one party has direct or indirect control of the other party; or
(ii) the parties are subject to common control from the same source; or

(iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employer's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION RESERVE

Unrealised gains and losses on revaluation of fixed assets.

REVENUE EXPENDITURE/INCOME

The cost or income associated with the day-to-day running of the services and financing costs.

REVENUE SUPPORT GRANT

Government financial support that does not have to be spent on a particular service. It is based on the Government's assessment of the Council's spending need, its receipt from national business rates, and its ability to generate income from the council tax.

SCHEME LIABILITIES

The liabilities of a defined scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

SERVICE REPORTING ACCOUNTING CODE OF PRACTICE (SeRCOP)

The code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities.

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:
(a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
(b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
(c) the transfer of scheme assets/liabilities relating to a group of employees leaving the scheme.

STATEMENT OF STANDARD ACCOUNTING PRACTICES (SSAP)

Accounting practices recommended by the major accounting bodies. The application of SSAP's to local authorities is reflected in Statements of Recommended Practice (SORP).

STOCKS

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:
(a) goods or other assets purchased for resale;
(b) consumable stores;

STRAIGHT-LINE BASIS
Dividing a sum equally between several years.

USEFUL LIFE
The period over which the local Council will derive benefits from the use of a fixed asset.

VESTED RIGHTS
In relation to a defined benefit scheme, these are:
(a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
(b) for deferred pensioners, their preserved benefits;
(c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2012/13

Spelthorne Borough Council

September 2013

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tamas Wood, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Introduction

This report summarises:

- **the key issues identified during our audit of Spelthorne Borough Council's (the Authority's) financial statements for the year ended 31 March 2013; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

Financial statements

Our External Audit Plan 2012/13 presented to you in March 2013 set out the four stages of our financial statements audit process.

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place in two tranches during April 2013 (interim audit) and July/August 2013 (year end audit). We carried out the following work:

Control Evaluation

- Evaluate and test selected controls over key financial systems
- Review internal audit where reliance is planned
- Review accounts production process
- Review progress on critical accounting matters

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

Our External Audit Plan 2012/13 explained our risk-based approach to Value For Money (VFM) work, which follows guidance provided by the Audit Commission. We have completed our work to support our 2012/13 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages;
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements: and
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to thank Officers and Members for their continuing help and co-operation throughout our audit work.

Section two

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2013. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of trivial adjustments and presentational changes. There were no changes that impact on the General Fund.
Accounts production and audit process	We have noted an improvement in the quality of the accounts and the supporting working papers. However further improvements could be made to the completeness of working papers provided in response to our *Prepared by Client* request. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. We have raised a recommendation in relation to the matter highlighted above, which is summarised in Appendix 1. The Authority has implemented or is working towards the implementation of the recommendations in our *ISA 260 Report 2011/12* relating to the financial statements.
Completion	We are awaiting the final financial statements which we will review to confirm accuracy, consistency and processing of our audit adjustments. Subject to the satisfactory clearance of these areas and a final Director review, our audit of the financial statements is substantially complete. We will also need to complete procedures on Whole of Government Accounts (WGA) once we have received final guidance from the National Audit Office (NAO). Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.

Proposed opinion, accounts production and audit process

We have identified no issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement accords with our understanding.

The Authority has good processes in place for the production of the accounts and good quality supporting working papers. However we have raised a recommendation regarding the completeness of working papers provided in response to our Prepared by Client request.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority is working towards implementation of the recommendations in our ISA 260 Report 2011/12.

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion by 30 September 2013.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements. The Authority made a small number of trivial adjustments and presentational changes. There were no changes that impact on the General Fund.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 28 June 2013. We noted improvements in the quality of draft from the prior year.
Quality of supporting working papers	We have noted an improvement in the quality of supporting working papers. However further improvements could be made to the completeness of working papers provided in response to our *Prepared by Client* request. We have raised a recommendation regarding this in Appendix 1.
Critical accounting matters (key audit risks)	We have discussed with officers throughout the year the areas of specific audit risk and undertaken specific audit procedures. There are no matters to draw to your attention.
Response to audit queries	Officers resolved audit queries in a reasonable time. There were no significant delays and the relevant staff members were available during the course of the audit. Where staff were not available for particular periods this was clearly communicated to us.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has fully implemented three recommendations in our ISA 260 Report 2011/12. Five remain in progress. Appendix 2 provides further details.

Critical accounting matters

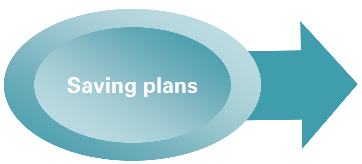
We have worked with Officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our External Audit Plan 2012/13, presented to you in March 2013, we identified the risks affecting the Authority's 2012/13 financial statements. These risks were assessed as either:

- A key audit risk that presents a significant risk to the financial statements; or
- Another matter which at this stage does not present a significant risk to the financial statements but which merits continued attention.

We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed finding for the one key risk and one other risk identified in the plan.

Key audit risk	Issue	Findings
	Reductions in central grants, freezes in Council Tax and increased use of Council services by users has put increasing pressure on Councils to meet a balanced budget without using reserves. As at January 2013, the Authority is forecasting that it will deliver its 2012/13 budget in overall terms, which includes achieving the anticipated savings identified through the budget setting process in 2012/13. While the Authority has healthy reserves it is not sustainable to use these to meet shortfalls in revenue expenditure.	In conjunction with our VFM work we assessed the controls the Authority has in place to ensure a sound financial standing, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively. The Authority has a programme in place designed to deliver savings and increase income generation. While the Authority did plan on using low levels of reserves to balance the 2012/13 budget it ended up using less than anticipated because of better than expected savings made during the year. Going forward, the Authority plans to eliminate the use of reserves to deliver a balanced budget. As at the end of July 2013, the Authority is forecasting an under spend of approximately £300k against the 2013/14 revenue budget. As part of our final accounts audit we reviewed the Authority's assessment of any potential liabilities arising from its savings plans against the Code. We have not identified any issues that require reporting.

Other accounting matters

Other matter	Issue	Findings
	Authorities are required to group their non-current assets into specific categories. These categories are subject to different valuation considerations (method of valuation, method of depreciating and timing of revaluations) therefore it is important that non-current assets are correctly classified. In 2011/12, three finance leases were misclassified as investment properties. To correct the error, amendments were required to the Comprehensive Income and Expenditure Statement Balance Sheet and Reserves.	Our audit procedures over property, plant and equipment have been designed to identify material misstatements in the categorisation of assets. No errors have been identified as part of the audit procedures we have performed.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Spelthorne borough Council for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Spelthorne Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. A draft template is provided in Appendix 4. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' .

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority's 2012/13 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly. Our approach was set out in more detail in our *External Audit Plan 2012/13*.

Risk assessment

Our initial risk assessment identified a risk relating the Authority's ability to manage its finances and deliver on its saving plans. Historically, the Authority has used reserves to meet a balance general fund budget. For 2012/13, the Authority planned on using reserves of £200k to meet a balanced general fund budget (approx 1% of actual reserves) however only £64k of reserves were required due to better than expected performance as the Authority was able to exceed the level of savings it initially identified. While the value of reserves used was minor, the Authority acknowledges that this is not a sustainable model and therefore plans to eliminate the use of reserves from 2013/14 onwards.

We are satisfied that sufficient work in relation to the risk had been carried out by the Authority to mitigate the risk for our VFM conclusion. We concluded that we did not need to carry out any specific additional work ourselves.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Appendix 1: Key issues and recommendations

We have the recommendation a risk rating and agreed the action management will need to take.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❸	**Completeness of supporting working papers** **Issue** We have noted an improvement in the quality of the supporting working papers provided. However further improvements could be made to the completeness of working papers provided in response to our *Prepared by Client* (PBC) request. It was noted during the audit that a number of working papers requested in our PBC request were not completed or did not contain all the information requested. **Recommendation** We recommend that prior to the commencement of the audit, the Authority ensures that all working papers that have been agreed for inclusion in the PBC are prepared and available for review by auditors. It would also be help the audit process if the PBC is fully referenced and includes details of officers who prepared each item. We will continue to work with management to ensure our PBC requests are clearly communicated.	Agreed. **Responsible Officers:** Jo Hanger and Adrian Flynn (Principal Accountants) **Due Date:** June 2014 as part of the next audit process.

Appendices

Appendix 2: Follow up of prior year recommendations

The Authority has implemented or is working towards implementing all of the recommendations in our *ISA 260 Report 2011/12.*

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2011/12* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	8
Implemented in year or superseded	4
Implementation date not yet due	1
Remain outstanding (re-iterated below)	3

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2013
1	2	**Authorisation of journals** **Issue** The Council's policy currently states that only journals with individual lines greater then £20,000 are required to be reviewed by a second person before they are posted to the General Ledger. This means that a large value journal with individual lines of less than £20,000 will not be reviewed, increasing the risk of fraud or error. For example, a journal that has 25 lines each worth £10,000 is not currently required to be reviewed despite having a total value of £250,000. We raised a similar recommendation in the prior year – see Appendix 2. **Recommendation** We recommend that the Council amends its policy so that all journals with an aggregate impact on the General Ledger over a set threshold are required to be reviewed by a second authorised person before they are posted to the ledger.	**Responsible Officer:** Chief Accountant **Due Date:** Already Implemented	**Implemented** Journals with an aggregate balance of £20,000 or more are reviewed by Principal Accountants Jo Hanger or Adrian Flynn.

Appendices

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2013
2	2	**Reconciliations** **Issue** We noted the following issues regarding reconciliations performed at the Council: • The reconciliation of council tax benefits from the Council Tax System to the Benefits System is performed daily by a senior officer (Head of Customer Services). • Reconciliations between the Creditors System and the General Ledger are performed daily but not reviewed by a second person. • The May 2011 bank reconciliation was not signed off and reviewed in a timely manner due to staff absence. Currently, only one person has been trained to perform the control. • The total monthly payroll is not reconciled between the Payroll System and General Ledger. Whilst the detailed elements of the monthly payroll are reconciled, we noted a difference of £4k in the total payroll figure between the two systems in the month we tested. *Continued ...*	**Responsible Officer:** Head of Customer Services and Chief Accountant. **Due Date:** 30 November 2012	**In Progress** • The reconciliation of council tax benefits from the Council Tax System to the Benefits System has been delegated to Ann Tomlinson (Customer Service Financial & System Support Officer). This performed at least weekly. There is no formal review of the reconciliation unless exceptions are identified. Management consider this to be sufficient as the reconciliation simply compares balances from system generated reports. • Reconciliations between the Creditors system and the General Ledger are still performed daily however are reviewed on a monthly basis by a Jo Hanger (Principal Accountant) • Jan Boyd was recently appointed as Senior Assistant Accountant. Part of her role is to provide cover for balancing the cash book and she is currently receiving training in respect of this. *Continued ...*

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2013
2	2	**Recommendation** We recommend that: • The reconciliation of council tax benefits from the Council Tax System to the Benefits System should be delegated to a more junior staff member and performed on a less frequent basis (weekly/monthly) as any differences are cumulative and will still be identified. The Head of Customer Services should then formally review the reconciliation. • The reconciliation between the Creditors System and the General Ledger is performed less frequently (e.g. weekly) but reviewed by a second person. • For each reconciliation, a second person should be trained to ensure the control operates efficiently and effectively in the absence of staff members with primary responsibility. • The Council reconciles all elements of the monthly payroll, including the overall total. To reduce the administrative burden, formal tolerances should be set so that only differences that exceed these levels are investigated.		• The total payroll is reconciled on a monthly basis by Sol Tate (Revenues Officer) and reviewed by Jo Hanger (Principal Accountant).

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2013
3	3	**Chasing of debts** **Issue** The Council's internal auditors identified that the actions for chasing outstanding debts taken by some areas of the Council are not in line with the corporate policy. In addition, our walkthrough test of the debtors system noted a sample that had not been chased according to the Council's policy. This increases the risk that the Council's debts are not being chased as effectively and efficiently as possible. There are also reputational risks if the approach taken is not in line with the agreed policy. **Recommendation** We recommend that the Council review its policy for chasing outstanding debts and reiterate its importance to relevant staff.	**Responsible Officer:** Head of Customer Services **Due Date:** 31 December 2012	**In Progress** Nick Smith (Customer Services & Recovery manager) is to review the sundry debt policy and align it to the council tax and business rate recovery policy. The target date for this has been moved back to September 2013 following commencement of the Elmbridge recovery partnership that commenced in July. The policy is scheduled to be approved by Members in November. Sundry debt recovery procedures were reviewed in April 2013 and distributed to relevant staff.
4	3	**Related party returns** **Issue** At the time of our audit, the Council had not received declarations of interests from all of its Members. This increases the risk that related party transactions are not identified and appropriately disclosed in the accounts. **Recommendation** We recommend that the Council reiterate to Members the importance of returning declarations of interest in a timely manner.	**Responsible Officer:** Chief Financial Officer **Due Date:** 31 March 2013	**Implemented** The Council has applied a more robust approach than in prior years by issuing email reminders to members to complete the returns earlier and asking the leaders of the 3 parties to remind their members of the importance of completing the returns. While we note that as at August 2013, tone declaration of interest remained outstanding from a Member we are satisfied that the Council has done as much as can be reasonably expected to obtain declarations.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2013
5	2	**Fixed Assets - Reconciliations** **Issue** Our work on fixed asset disposals identified some that were not previously held on the Council's fixed asset register as their pre-sale values were deemed *de minimus. However, these assets should have been recognised as an asset held for sale at fair value and then disposed of.* There is a risk that the values of assets not recorded on the fixed asset register are not periodically reviewed for changes in their value, including at the point of disposal, and incorrectly omitted from the financial statements. **Recommendation** To ensure completeness of its records, the Council should record all assets, including those of nil value on its fixed asset register and reconcile this to the ledger and the asset management records on a regular basis (at least annually).	**Responsible Officer:** Principal Accountant **Due Date:** 31 March 2013 and ongoing	**Implemented** Management have determined that there is limited value in performing an exercise to include all nil value land and property assets on the asset register in comparison to the time needed to perform the exercise. Developments concerning these assets will be identified via the minutes of the Asset Management Working Party. When any potential disposal or site development is being considered the assets will be added to the register.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2013
6	2	**Fixed Assets – Valuation and accounting entries** **Issue** The draft accounts contained entries for assets that were improperly valued and classified. **Recommendation** The Council should ensure that it: • Provides clear instructions to its appointed valuer; and • Quality reviews the accounting for valuations, having particular regard to the classification of those assets.	**Responsible Officer:** Head of Asset Management and Principal Accountant **Due Date:** 30 May 2013 as part of the next accounts process	**Implementation date not yet due** No fixed asset revaluations have been carried out during the 2012/13. We will review the status of this recommendation during subsequent audits.
7	3	**Completeness of draft accounts** **Issue** The draft accounts presented for audit contained some notes that were incomplete or missing key entries, such as the operating lease note. Improving the quality of draft accounts presented to audit will help reduce the amount of audit queries raised and improve the overall efficiency of our year-end audit. **Recommendation** We recommend that the Council quality review the draft statements prior to presentation for audit to ensure all notes to the accounts are complete.	**Responsible Officer:** Chief Finance Officer **Due Date:** 30 May 2013	**Implemented** We noted significant improvements in the quality of the draft 2012/13 accounts.

Appendix 2: Follow up of prior year recommendations

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2013
8	3	**Periodic user access reviews (2010/11 Audit Recommendation)** **Issue** Periodic user access reviews are not currently undertaken for the general ledger, benefits or payroll systems. **Recommendation** We recommend that, on an annual basis, a formally evidenced review of all users be undertaken.	**Payroll:** Human Resources Managers reviews the access rights to the HR/Payroll System. We will put a reminder on to do it annually. **Integra:** System Administrator has put a reminder in the calendar to do it annually – January 2012. **Revenues and Benefits:** System Administrators to do an annual check on Academy. System administrators will review all user rights on Academy and Comino for Ctax, NNDR and Benefits late December 2011/early January2012.	**Status as at September 2012:** **Partially implemented** Whilst periodic user reviews do take place, these are not formally evidenced and results not documented. **Status as at September 2013:** **Partially implemented** Periodic user access reviews are now documented in relation to both Integra and Revenue and Benefits. Payroll is planning on implementing the control in October 2013.

Appendix 3: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 3: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Spelthorne Borough Council for the financial year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and Spelthorne Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 4: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Spelthorne Borough Council, for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of Spelthorne Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and

iii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Spelthorne Borough Council's Movement in Reserves Statement, the Authority's Comprehensive Income and Expenditure Statement, the Authority's Balance Sheet, the Authority's Cash Flow Statement, the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's 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 2012/13.

   The financial statements have been prepared on a going concern basis.
2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

   The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Appendix 4: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

7. The Authority has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

   b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that:
       - are statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - are funded or unfunded; and
       - are approved or unapproved,

       have been identified and properly accounted for; and

    b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 19 September 2013.

Yours faithfully,

Chair of the Audit Committee

Assistant Chief Executive

cutting through complexity ™

Audit Committee

19 September 2013

Title	Corporate Risk Management		
Purpose	For Information		
Report of	Assistant Chief Executive	Confidential	No
Cabinet Member	Councillor Tim Evans	Key Decision	No
Report Author	Deanna Harris Head of Audit Partnership		
Summary	This report provides Management Team (MAT) and the Audit Committee with an opportunity to review the Corporate Risk Register and note outstanding actions. There are three key issues highlighted in this report: • The Corporate Risk Register has been reviewed and updated • Progress on outstanding actions has been documented on the register and a RAG (Red/Amber/Green) status has been assigned to each category to indicate whether actions are outstanding, partially actioned or complete/ongoing. • No new actions have been added to the register.		
Financial Implications	Staff time to implement proposed actions (contained within existing budgets).		
Corporate Priority	This item is not in the list of Corporate Priorities		
Recommendations	**That the Committee notes the report.**		

MAIN REPORT

1. Background

1.1 Risk management is frequently defined as "*The identification, analysis and economic control of all threats to the achievement of the organisation's strategies and operational activities*".

Spelthorne provides a wide range of services to residents, local workers, businesses and visitors. The nature of these services presents a significant potential for loss (both financial and otherwise), disruption, damage and injury.

Although some risks can never be fully eliminated, the adoption of a structured approach ensures risks are identified, managed and monitored.

The Council's Risk Management policy/strategy, flowchart of responsibilities and Corporate Risk Register can be found on SpelNet.

1.2 This report provides the Audit Committee with an opportunity to review the revised Corporate Risk Register and to review progress on actions.

2. Key issues

2.1 The Corporate Risk Management Group and Management Team have reviewed the Corporate Risk Register (**Appendix 1**).

2.2 Progress has been made in the following areas:

(a) **Safeguarding** policies have been updated and details will be reported to Members in September.

(b) **Service Plans** have been updated to reflect new Council priorities and the new financial year (2013/14).

(c) **Project management** – Updated project management processes are being embedded across the authority including ensuring resources are available to deliver new projects. Programme management arrangements relating to Staines upon Thames redevelopment and Housing Services have been strengthened. Project Boards and Management Team have been reviewing the status of long standing projects including Customer Relationship Management, Human Resources and Remote/Agile Working.

(d) The **Information Governance** Group is developing an action plan to ensure information assets are identified and managed. The Head of Corporate Governance has reported to MAT to identify further resources required in order to progress the matters on the action plan. In the absence of dedicated resources the progress made to date is limited.

(e) **IT Security –** An internal health check has taken place and ICT will be addressing any issues if they arise.

(f) **Business Continuity** - Business Impact Assessments are complete. These provided information on priority services, what resources were required for their continuation and in what time frame. A recovery planning group met in July to scope recovery options and begin planning. A number of options are being scoped and costed, including partial and full recovery centres. Emergency protocols for loss of building access/loss of power/loss of ICT are being developed. An emergency messaging system for staff has been rolled out. A draft corporate continuity plan is being developed.

(g) **Staff Morale** – People are the Council's most valuable asset and it is essential that any potential issues relating to staff morale are identified and managed.
Low staff morale is linked to risk of lower levels of productivity, commitment, absence and ultimately, loss of expertise.

Following on from the Investors in People Action Plan work Management Team will consider developing a Workforce Strategy (which this Council has previously referred to a People Strategy) which addresses potential risks through:

i) Recruitment and retention
Has the authority got the right skills and mechanisms to retain expertise? Is there a need to develop skills for future demands? Can existing staff be developed to take on different roles?

ii) Reward
The public sector has financial constraints but there opportunities to reward staff in other ways. Simple things such as showing respect for employees and thanking people for their hard work can go a long way to making people feel valued and rewarded.

iii) Training and development
A workforce that has a variety of skills will be more flexible in responding to changes or new challenges. Helping and supporting staff develop different skills is an important way of keeping people motivated and valued.

iv) Performance management
Being clear about performance measures for the Council, services and staff will enable management to evaluate whether the organisation is on track to meet its objectives. Performance management is not about penalising staff, it's about managing people well, supporting staff and identifying any skills gaps.

The above elements are already being addressed by the Council's employment policies, procedures and arrangements: a Workforce Strategy would provide an opportunity to review holistically and pull together into a single strategy.

Points arising from the Investors in People assessment report and the action planning workshop facilitated by our Investors in People Assessor were discussed at the June Staff Meetings to gain a wider understanding of current issues and concerns for staff (an additional meeting took place with Streetscene and Independent Living staff in August). The Head of Human Resources will report to Management Team shortly for confirmation of the action plan, which will include the need for team meetings and other regular review meetings to provide the opportunity for staff to raise concerns, and for the continuation of good management practices and appropriate consultation with staff. Management and Members will be promoting 'good news' stories including the ongoing provision of day to day services with limited resources.

(h) The Joint Heads of Housing and Independent Living continue to update Management Team, Service Heads and Members on **welfare reforms** including implications for Services and community.

(i) **Council Tax Support Scheme** – Collection of relatively small council tax debts from customers who previously paid nothing has now commenced. As at June, 239 cases had not paid any Council Tax and these were sent to the Bailiffs on a pre-debt collection visit. Of these, 39 paid in full or made arrangements to pay. Summonses were issued to the rest in July and liability orders obtained.
The Customer Services and Recovery Manager's role has been changed to focus on collection and some posts have been changed to enable more resources to be input into Recovery but more resources may be required to address longer term risks of increased debt in this area, this will be considered as part of the forthcoming budget process.

(j) The authority faces some financial challenges associated with the introduction of Universal Credit including loss of the **Housing Benefit subsidy** and uncertainty over the recovery of Housing Benefit **overpayments** (current debt of £1.59m). The implications of proposals to transfer Housing Benefit fraud investigation resources to a centralised government team (Single Fraud Investigation Service/SFIS) together with the need to retain resources to investigate Council Tax Support Scheme fraud and other potential fraud areas is also under consideration.

(k) The authority's Insurers issued several recommendations in July 2012 following a review of some of the Council's high risk activities, which were agreed by Management team. One outstanding recommendation relating to setting up a robust **inspection regime** for all our parks and open spaces is being addressed by the Head of Streetscene. In future inspections will be evidenced and records held to cover health and safety and any resulting action taken.

(l) The majority of performance reviews have been completed although some of these are still awaiting comments from Cabinet Members. One outstanding performance review is being pursued by the Assistant Chief Executive, Lee O'Neil.

(m) **Procurement**. The Head of Corporate Governance has reviewed the procurement guidance, but it has been decided supplement SpelNet guidance with training and reinforcing through links with project management. In agreement with Assistant Chief Executive, training on specification writing and evaluation methods will be delivered for project managers dealing with procurement issues. In addition to that the e-tendering solution has been developed to increase the scope of contacts which can be advertised and managed through it using standard templates.

(n) **Grounds Maintenance –** Internal Audit reported on the lack of independent horticultural expertise within Streetscene together with lack of evidence of routine inspection by the Council. Whilst management consider the Council to be operating 'in partnership' with the contractor, it is important that the Council has sufficient control in place to ensure work specified is carried out to an acceptable standard and that any variations are reasonably costed.

Tree maintenance is an aspect of grounds maintenance where specialist skills are required. Lotus is currently carrying out tree inspections on Council property without additional cost. The Head of Streetscene does not have staff with arboriculture expertise within her service but she has confirmed that she will always ensure that the work identified by the contractor and prices are reasonable before asking them to proceed with the work.

The Head of Streetscene has suggested she undertakes some horticultural training and the new inspection regime referred to in (k) above will incorporate records of contract compliance.

The Assistant Chief Executive (Liz Borthwick) has also stated:

> *'Management Team did agree 3 years ago to restructure and reduce staffing levels within Streetscene. This action did reduce some of the skills knowledge but Management Team did balance the financial savings with risk and agreed and accepted the risk.*
>
> *It should be highlighted that:*
>
> *a) Monthly contract monitoring meetings are taking place which are recorded.*
>
> *b) Neighbourhood Officers monitor the Parks and open spaces*
>
> *c) Lotus have their own monitoring systems similar to the Leisure Centre contract, both are very much outcome performance based.*

Following on from the Audit on grounds maintenance a reliable documented procedure has been developed in case the Authorised Officer is not available.
Streetscene staff regularly liaise with Leisure/Assets and Sustainability to overview service standards and provision in parks and open spaces.'

(o) The Contaminated Land Strategy is reviewed every two years, unless a reason arises which requires the review to be brought forward. The strategy was last reviewed in September 2011; a review of the strategy has been scheduled to be carried out in September 2013.

2.3 No new actions have been added to the Risk Register.

3. Options analysis and proposal

Either:

i. To note and accept the contents of the Corporate Risk Register. The revised register is considered to be an accurate reflection of the high level risks affecting the Authority, as well as the progress made on actions previously proposed, based on our assessment of risk and controls in operation. (**Preferred option)**

Or:

ii. To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

4. Financial implications

4.1 Resources required (staff time) to implement actions proposed in the Corporate Risk Register should be contained within existing budgets.

5. Other considerations

5.1 The Corporate Risk Register covers a wide range of risk categories such as technology/infrastructure/operations, financial, environmental, legal, contractual, economic/social, and personnel. Proposals set out in the Corporate Risk Register should improve overall risk management arrangements across the Authority, which supports all corporate priorities.

5.2 There are potential legal consequences should the risks identified not be addressed adequately. The purpose of the Risk Register is in part to avoid such consequences.

6. Risks and how they will be mitigated

6.1 The risks and associated actions to mitigate risks are set out in the Risk Register.

7. Timetable for implementation

7.1 The Corporate Risk Register shows officers responsible for progressing actions, together with timescales for implementation. The register is reviewed and updated quarterly by Audit Services.

Background papers: There are none.

Appendices: Appendix 1 – Corporate Risk Register

Appendix 1

SPELTHORNE BOROUGH COUNCIL
CORPORATE RISK REGISTER – 2013/14 QUARTER 2

The register summarises the high level risks faced by the Council in relation to achieving the objectives and priorities as set out in the Council's corporate plan.
The register sets out the control procedures in place to mitigate these risks, and identifies any further action needed to manage these risks effectively.
Actions are assigned to appropriate officers with target dates for implementation.

Corporate Priority themes are referred to in the risk register. **Reviewed August 2013**
Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE Original (O) Revised (R)	PROGRESS
	1. Health and Safety failing resulting in death or serious injury to staff /public and legal action against the Council	4	Policies and SHE (Safety Health and Environment) system in place. Managers conduct regular risk assessments. Induction training for staff. Health and Safety Officer regularly updates Members and officers. Contracts let to manage Legionella and asbestos. Leased assets covered by health and safety procedure. Whilst most actions from Insurance Review in April 2013 have been implemented, the implementation of a regular inspection regime for parks and open spaces remains outstanding.		MAT		
				New inspection regime for parks and open spaces to be implemented. Streetscene have devised a simple checklist approach which has been agreed with the Health and Safety Manager and the Council's insurers as appropriate. Staff will use handheld devices to load information directly into the corporate health and safety system.	HOSS	May 2013 (O) Sept 2013 (R)	The Head of Streetscene will be implementing a new process for recording parks and open spaces shortly.

	2. Uncertainty surrounding the financial /economic/other consequences of contaminated land	4	Legal duty to inspect land and prioritise action. Progress reports issued to Management Team and Cabinet outlining financial and other risks. Department for Environment, Food and Rural Affairs (DEFRA) review on statutory guidance. A separate risk assessment addresses contractual, financial/resources and legal/regulatory risks, and this is reviewed annually. The Environmental Health team are taking the new government circular into account as they update the contaminated land implementation strategy.	*Contaminated Land Implementation Strategy to be reviewed and updated.*	ACX (LO)*	May 2013 (O) Sept 2013 (R)	**Partially actioned.** 3. The Contaminated Land Strategy is reviewed every two years, unless a reason arises which requires the review to be brought forward. The strategy was last reviewed in September 2011; a review of the strategy has been scheduled to be carried out in September 2013.
	3.Disaster- major in borough, e.g. flooding, resulting in significant strain on council services (eg homelessness).	4	Emergency Plan. Membership of Local Resilience Forum. Regular testing of Emergency Assistance Centre plan. Yearly Borough Emergency Centre Plans. Incident management training and exercising. Aim to run a large flood based exercise this year (2013) involving Environment Agency, Runnymede and Elmbridge .		ACX (LB)/Head of S & L/RRO*	N/A	**Ongoing**
	4. Failure to manage corporate and service performance (Performance Management)	3	The Corporate Plan sets out targets for the authority which should be monitored by Members and Management Team. Service performance (standards and targets) should be monitored by Management Team. Planned requirement for quarterly updates on performance from 2013/14, as well as annual performance review. Individual performance should be monitored through the appraisal process. Flagship project performance is reported to Management Team and Members.	*A new Performance Review template has been developed for each service and performance management process needs to be fully implemented.*	MAT	March 2013 (O)	**Partially actioned August 2013**: 2. The majority of performance reviews have been completed although some of these are still awaiting comments from Cabinet Members. The Assistant Chief Executive Lee O'Neill is following up one outstanding Performance Review
	5. Failure to align service objectives to corporate aims / Failure to deliver services effectively due to poor service planning	3	Service plans should be derived from the Council's Corporate Plan and statutory/other responsibilities relating to services. Plans incorporate issues relating to resources, risks, workforce, significant projects and any relevant performance indicators.		Service Heads	N/A	**Ongoing**
	6. Failure of projects due to poor project management arrangements. Lack of resource and expertise to deliver and coordinate	3	Updated project management arrangements being embedded including consideration of resources available to deliver. Project management support strengthened. Programmed management improved for Staines upon Thames redevelopments and Housing projects. Corporate Project Manager	*1. Asset Management is a corporate priority and many of the Council's projects are asset related – this area will need to be kept under review.*	MAT	Nov-13	**Partially actioned Aug 2013**: The Sustainability and Open Spaces Manager has been seconded to Asset Management for a two year period to help deliver asset related projects. The situation needs to be kept under review. Several projects have been reviewed by the relevant

	asset related/other projects.		appointed to oversee the monitoring of flagship projects (quarterly dashboard reporting in place), provide support to project managers and for delivering some of the Council's key flagship projects. Further post also appointed to support the Corporate Project team.	*2. Project Boards and MAT to assess whether the anticipated savings/benefits are being realised from some of the long standing projects.*	MAT/Head of CS *	July 2013 (O)	internal boards to ensure the continuing viability of the project when compared to the original business case. These include long standing projects - Customer Relationship Management system (CRM), the i-trent HR and Payroll system, and Agile working.
	7. Security / data breaches, resulting in system failure, Information Commissioner fines and reputational damage.	3	Back up and continuity arrangements managed by ICT and tested by Service Heads. ICT security policies in place. Personal Commitment statement required from all staff. ICT security group assess ongoing risks. ICT disaster recovery test satisfactorily conducted June 2012 and 2013 exercise being arranged.	*Information Governance Group developing action plan to ensure information assets are identified and managed.*	Head of CG *	June 2013 (O) August 2013 (R)	**Ongoing. Aug 2013** :The Information Governance Group are developing an action plan to ensure information assets are identified and managed. The Head of Corporate Governance has reported to Management Team to identify further resources required in order to progress the matters on the action plan. In the absence of dedicated resources the progress made to date is limited.
	8. Failure to meet the minimum security requirements of the Government Code of Connection resulting in termination of connection to any other government sites/data.	3	A review group assesses compliance with the Government Code of Connection (COCO). Firewall installed, laptops encrypted, memory sticks banned until they are 'white-listed' as known devices on the network, and universal serial bus (USB) ports locked down. Dual factor authentication on all laptops. Firewall review and external penetration test took place in December. The internal health check has taken place and ICT will address any issues.		Head of ICT *	N/A	**Ongoing**
	9. Loss or disruption to services / Lack of continuity planning / loss of building, equipment, ICT or staff / security incident at the council offices / Poor weather	3	Business Continuity Policy approved by Management Team. A corporate plan should describe the management of a disruptive incident, and this will be developed by the Risk and Resilience Manager supported by the Heads of ICT, Asset Management and Customer Services. It is hoped a full draft plan will be completed by December 2013 including key	*Action 1: The Authority must ensure the plans are fully communicated, tested and updated regularly.*	Service Heads/MAT/ RRM *	N/A	**Ongoing**

	conditions.		support work such as equipment purchases etc. The BCF oversees progress of business continuity planning. All Services should have up to date and tested Business Continuity Plans. Business Impact Assessments are complete. These identified priority services, resources required for their continuation and time frame. A recovery planning group met (July) to scope recovery options and begin planning. Options are being scoped and costed, including partial and full recovery centres. Emergency protocols for loss of building access/loss of power/loss of ICT are being developed. An emergency messaging system for staff has been rolled out.	*Corporate continuity plan to be drafted.*	RRM	Dec 13 (O)	
	10. Failure in service delivery due to over reliance on individuals	3	Service Heads/MAT are responsible for ensuring business continuity, including loss of key staff. Critical procedures should be fully documented and staff appropriately trained. In some cases resilience may be provided from other local authorities or other organisations.		Service Heads/MAT	N/A	**Ongoing**
	11. Failure in service delivery due to reduced capacity and increasing demands from the community. Increased risk of delay, errors or stress.	3	Short term reductions in capacity due to increasing demand or absence of staff are accommodated by prioritisation and reallocating work amongst staff. Longer term impacts and changes to demand may be more difficult to address. Service review may be required to help match resources to the level of work. In some circumstances it is necessary to supplement staffing levels with additional temporary or permanent resource. Resources need to be diverted to implementing new systems or introduce new ways of working. The recent strengthening of project management support is an example.	*Members and Management Team will need to keep under review, including consideration of the impact of decisions and any statutory obligations on service/project delivery. Officers will need to continue to consider mitigating actions, including reallocating resources to priority areas where possible.*	Service Heads/MAT	N/A	**Ongoing**

	12. Low morale as a result of service demand, lack of staff & financial resources, organisational changes, future uncertainty etc. This increases the risk of losing expertise and impacting on the achievement of the Council's objectives.	3	Change Management, clear communications, formal performance management system being set up, appraisals, one to one's, team meetings, performance clinics, staff meetings, staff workshops to be set up, Member training, corporate plan and priorities reviewed, Investors in People assessment. MAT and Cabinet are in discussions with the Local Government Association to agree a Peer review of the Council to take place at some point in the next 12 months.	*Action 1: Management Team to keep under review.*	MAT		**Partially actioned**: Management Team following on from Investors in People Action Plan work Management Team will consider producing Workforce Strategy which would address holistically recruitment and retention, rewards, training and development and performance management arrangements. Management and Members will be promoting 'good news' stories including the ongoing provision of day to day services with limited resources. .
				Action 2: Consideration to be given to the need for a survey following recent staff meetings	MAT/Head of HR *	May 2013 (O) August R	Points arising from the Investors in People (IIP) assessment report and the action planning workshop facilitated by our IIP Assessor were discussed at the June Staff Meetings to gain a wider understanding of current issues for staff. Head of Human Resources will report to Management Team to confirm action plan.
	13. Failure to obtain value for money (vfm) / lack of transparency in awarding contracts. Contractual disputes and claims through poor specs. Weak contract management resulting in Contractors/partners failing to deliver expected outcomes. Reputational damage and challenge by other companies. Financial loss/poor vfm as a result of poor contract management	3	Contract Standing Orders set out tendering requirements. Officer Code of Conduct set out requirement for declaration of interests. Contract guidelines in place with compliance checklist. Legal team provide support on contract management as requested. Contract management training held in September 2012, although this was not attended by all relevant services. Legal Services have updated managers in July 2013. Performance measures and contractual safeguards in place	*Action 1 : Procurement training to be provided on specification writing and evaluation methods.*	HEAD OF CG*	Oct 2013 (O)	**Ongoing.** The Head of Corporate Governance has reviewed the procurement guidance, but it has been decided supplement Spelnet guidance with training and reinforcing through links with project management. In agreement with Assistant Chief Executive, training on specification writing and evaluation methods will be delivered for project managers dealing with procurement issues. In addition to that the e-tendering solution has been developed to increase the scope of contacts which can be advertised and managed through it using standard templates.
				Action 2: Electronic-tendering system to be re-launched in 2013.	Head of CG*	Nov 2013 (O)	**Ongoing.** Legal Services are developing the e-tendering system

				Action 3: Procurement, contract management and asset management expertise is limited across the authority.	MAT	May 2013 (O)	**Ongoing.** Management Team has considered expertise and resources in these areas. Additional resource has been allocated to Asset Management. The Corporate Risk Management Group will continue to monitor.
				Action 4: The new Surrey County Council parking agreement will be closely monitored by Financial Services as the authority will now bear the cost of any deficits whereas any surplus will be shared.	ACX (TC)*	N/A	**Ongoing**

	14. Pressures on Housing Service as a result of economic climate and welfare reforms including changes in government policy to restrict housing benefit. Introduction of Universal Credit may lead to staff retention issues. Loss of Housing Benefit subsidy and uncertainty over recovery of outstanding debt.	3	Service Heads/ MAT/Members have been made aware of risks. Internal structures being reviewed. Working groups established to deal with the various changes. The authority faces some challenges in managing the loss of £500k per annum in subsidy relating to recovery of Housing Benefit overpayments which will be fully realised once the roll out of Universal Credit is completed in 2017/18. The first year’s impact is reflected in the 2013/14 budget and in medium term projections for future years. There is also uncertainty over recovery of the £1.26m of outstanding Housing Benefit overpayment debt which is currently in the Council’s accounts. A staffing report to improve staff resilience has been agreed.		Joint Heads of H & IL *	N/A	**Ongoing**
	Introduction of Council Tax Support scheme will impact on resources.		The new council tax support scheme took effect from April 2013 and has generated a number of small council tax debts, which are difficult and time consuming to recover, impacting on resources. Briefing paper issued to Audit Committee Members in December 2012 relating to delivery of council tax support scheme.		HOCS *	N/A	**Ongoing** At June, 239 cases had not paid any Council Tax and these were sent to the Bailiffs. Of these, 39 paid in full or made arrangements to pay. Summonses were issued to the rest in July and liability orders obtained. The Customer Services and Recovery Manager’s role has been changed to focus on collection and some posts have been changed to enable more resources to be input into Recovery but more resources may be required to address longer term risks of increased debt in this area.
	15. Poor partnership governance arrangements	3	Review of strategic and internal partnerships undertaken. Partnership governance policy in place Significant partnerships identified. Overview and scrutiny committee to periodically review partnerships. Insurance arrangements in place		MAT	N/A	**Ongoing**
	16. Uncertainty over economic growth and supplier failure, impacting on: • Delivery of contracts and services • Business Rate income.	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners that the authority engages with.	*Impact of new Business Rate arrangements on Council finances is under ongoing review.*	ACX (TC) *	N/A	**Ongoing.** Financial assessment has been undertaken and in common with all the Surrey districts Officers are reviewing collection performance for business rates on a monthly basis and providing feedback to Surrey County Council (who receive 10% of the business rates we collect).

				Economic development is a Council priority and growth will impact on business rate income.	ACX (TC) * CS & EDO*	N/A	**Ongoing.** A comprehensive draft economic assessment has been produced and the Council is now engaged in a consultation process with local businesses, and other stakeholders. This will then inform the production of an economic strategy which will be produced by early autumn.
	17. Failure to comply with employment legislation or statutory duty leading to possible compensation (unlimited), damage to reputation, Legal costs and significant officer time.	3	Human Resources (HR) guidance on legislation and training to ensure compliance. The HR partnership with Runnymede has led to a reduction in professional HR support which could impact on the ability to identify and deal with employment law issues Equality and Diversity working group and training provided to all staff.		MAT/Service Heads/Head of HR*	N/A	**Ongoing**
	18. Failure to comply with statutory duty / adhere to Safeguarding Policy leading to death or injury to child or vulnerable adult, legal action and reputational damage. Failure by County to address Spelthorne referrals relating to vulnerable children/adults.	3	The Council has recently updated its safeguarding policies and procedures. Details will be reported to Members in September. Staff and Members have received training. All referrals to Surrey County Council should be reported to a nominated Spelthorne Officer. Regular meetings held with Surrey County Council and consultation with the Surrey Safeguarding Children's Board (SSCB). SSCB carry out a Section 11 audit annually.	*Revised safeguarding Policies to be reported to MAT, Cabinet and re-launched to staff.*	ACX (LB)/LSM*	Sept 13 (O)	**Ongoing** To be finalised and reported to Members September 2013
	19. Service planning difficulties due to changes in economic and social conditions beyond Council's control	3	Long term strategic planning. Corporate and community plans linked to service plans. Corporate priorities reviewed.		MAT	N/A	**Ongoing**
	20. Poor return on long term investments /investments insecure in current climate	3	Treasury Management Strategy approved by Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely. Council's investments managed internally in consultation with Arlingclose. Use a range of credit ratings and criteria recommended by Arlingclose. Regular monitoring and reporting of investment portfolio and returns achieved.		ACX (TC) *	N/A	**Ongoing**

	21. Increased risk of fraud / theft due to economic climate resulting in financial losses and damage to reputation of authority. Housing tenancy fraud reduces availability of social housing.	3	Corporate Policies including Confidential Reporting Code (Whistle blowing), Anti-fraud, Bribery and Corruption Strategy, Code of Conduct including rules relating to gifts and hospitality, and declaration of interest. Staff are reminded about governance policies during appraisal process. Fraud awareness training for staff and Members in 2012 and leaflet issued. Implications of Bribery Act (July 2010) considered by services (raised in Fraud Awareness training). Various other policies and procedures such as Financial Regulations and Contract Standing Orders (CSO'S), management checks, segregation of duties, reconciliation processes for financial systems and IT Security measures. Discussions with A2Dominion regarding proactive measures to reduce housing tenancy fraud. Head of Audit Partnership working with Joint Heads of Housing and Independent Living to explore possibilities for new corporate fraud work.		Service Heads/ MAT	N/A	**Ongoing**
	22. Reduction in service delivery and possible loss of internal control as a result of savings required to balance budget	3	Management is responsible for maintaining key services and internal controls regardless of resource levels. Any savings offered will be accompanied with summary of any associated risks.		Service Heads/ MAT	N/A	**Ongoing**

<u>*KEY TO OFFICERS</u>

MAT - Management Team
Head of CS - Head of Customer Services, Linda Norman
Head of CG – Head of Corporate Governance, Michael Graham
Head of ICT – Helen Dunn
ACX (TC) – Terry Collier
Health and Safety Officer – Stuart Mann
ACX (LB) – Liz Borthwick
Head of S & L – Head of Sustainability and Leisure Services, Sandy Muirhead
Head of SS – Head of Streetscene, Jackie Taylor
ACX (LO) – Lee O'Neil
Head of AM & OS – Head of Asset Management and Office Services, Dave Phillips
Head of HR – Head of Human Resources, Jan Hunt
CM- Contract Managers
Joint Heads of H & IL – Joint Heads of Housing and Independent Living, Deborah Ashman and Karen Sinclair
LSM - Leisure Services Manager, Lisa Stonehouse
RRO – Risk and Resilience Officer, Nick Moon
CS & EDO – Community Safety and Economic Development Officer, Keith McGroary

<u>*KEY TO RAG RATING</u>

Actions outstanding
Partially actioned/Ongoing
Completed/Ongoing

<u>*KEY TO TARGET DATES</u>

* O = Original target date for assigned action
* C = Current target date for assigned action

Audit Committee

19 September 2013

Title	Effectiveness of the System of Internal Audit		
Purpose	For Information		
Report of	Head of Audit Services	**Confidential**	No
Cabinet Member	Councillor Tim Evans	**Key Decision**	No
Report Author	Deanna Harris		
Summary and Key Issues	A review of the system of internal audit is a statutory requirement of the Accounts and Audit Regulations. In order to satisfy this requirement consideration is given in this report to: • Internal Audit aims and objectives • Compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2006 and the new Public Sector Internal Audit Standards • External audit assessment/ reliance on Internal Audit • Internal Audit work - 2012/13 • Improvement plan - 2013/14		
Financial Implications	There are none.		
Corporate Priority	This item is not in the list of Corporate Priorities		
Recommendations	There are no recommendations.		

1. Background

1.1 The Accounts and Audit Regulations (Amendment) (England) Regulations state that "the relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit".

1.2 The nature of this review has not been specified but advice has been obtained regarding issues which should be considered, and these are detailed under paragraph 2 below. This report is independently reviewed by the Council's Management Team and Audit Committee. The work of Audit Service is independently reviewed by senior management, external audit and Audit Committee.

1.3 Internal Audit is a statutory function and it is the responsibility of the Council to 'maintain an adequate and effective system of internal audit…'

1.4 The Audit Service at Spelthorne is responsible for:

(a) Providing **assurance** to the authority that risk management processes, control systems, accounting records and governance arrangements are in place and operating properly.

(b) Providing **advice** regarding risk, internal control and governance arrangements.

(c) Assisting management in **assessment of risk**.

(d) Undertaking special investigations as necessary.

(e) Testing of financial and IT systems on behalf of external audit.

2. Key issues

2.1 <u>Meeting aims and objectives</u>

2.2 Aims and objectives are set out in the Service Plan - these are largely focussed on fulfilling statutory requirements and compliance with professional standards. The Audit Plan sets out proposed work for the year and was approved by Audit Committee in March. Actual work undertaken is reported to the Audit Committee in June and December.

2.3 <u>Compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2006 and new Public Sector Internal Audit Standards</u>

2.4 Professional standards define the way in which the Internal Audit service should undertake its functions and also set out its organisational status.

2.5 The implications of the new Public Internal Audit Standards were reported to Audit Committee in March 2013. All Internal Audit staff have signed up to a Code of Ethics based on the new standards.

2.6 The revised Internal Audit Manual ensures all practices are aligned to the Public Sector Internal Audit Standards.

2.7 <u>External audit assessment / reliance on internal audit</u>

2.8 External audit continue to place reliance on the work of Internal Audit to support their opinions.

2.9 <u>Internal Audit Work 2012/13</u>

2.10 The Annual Audit report presented to the June meeting of the Audit Committee sets out audit work undertaken during the year. This included progress with the monitoring of key Council projects.

2.11 The team continued to manage the Council's risk management process which includes regular updating of the Corporate Risk Register, and reporting to members of Audit Committee and Cabinet.

2.12 The audit partnership with Elmbridge continues and successfully delivers savings, efficiencies and improved resilience. Auditors have worked across the two sites, information has been shared and joint training undertaken. Salaries and job descriptions of auditors were aligned across the audit partnership.

2.13 The development of partnership working continued with the sale of ICT expertise to Woking and Elmbridge.

2.14 The team satisfactorily completed testing of all key financial and ICT systems and this was used by external auditors, KPMG.

2.15 Work continued to raise awareness on the risk of fraud and the implications of the Bribery Act. Member fraud awareness training took place and a member of staff in the partnership team undertook professional investigation training. Audit continued to work with the Head of Housing to develop a strategy for developing and widening the Housing Benefit fraud function, particularly in relation to potential tenancy fraud.

2.16 The role of the Audit Committee continued to develop particularly in the monitoring of outstanding actions relating to corporate risks.

3. IMPROVEMENT PLAN 2013/14

3.1 Consider new partnership opportunities including further sale of in house expertise.

3.2 Develop work plans to review emerging corporate risks.

3.3 Further develop in-house fraud expertise, assist in the development of the role of the Housing Benefit fraud team and develop a corporate approach to managing the risk of fraud.

3.4 Identify value for money, business improvement and Lean opportunities during the course of audit reviews.

3.5 Ensure the internal audit function is able to fulfil its statutory role and meet requirements of the new Public Sector Internal Audit Standards with full management support.

4. Options analysis and proposal

Not applicable.

5. Financial implications

5.1 None

6. Other considerations

6.1 Not applicable

7. Risks and how they will be mitigated

7.1 Failure to operate an effective internal audit service could reduce the level of assurance provided to management and members regarding risk management processes, control systems, accounting records and governance arrangements.

8. Timetable for implementation

8.1 Not applicable

Background papers:

Appendices:

Audit Committee

19 September 2013

SPELTHORNE BOROUGH COUNCIL

Title	Annual Governance Statement 2012-14		
Purpose	Resolution required		
Report of	Chief Finance Officer	**Confidential**	No
Cabinet Member	Councillor Tim Evans	**Key Decision**	No
Report Author	Terry Collier		
Summary and Key Issues	The Accounts and Audit Regulations 2006 require the Council to consider and approve an Annual Governance Statement for inclusion within the Statement of Accounts. The Council has delegated the consideration of the Statement to the Audit Committee.		
Financial Implications	None directly. The Statement reviews the financial management arrangements.		
Corporate Priority	*Supports all*		
Recommendations	**The Audit Committee is asked to approve the draft Annual Governance Statement at Appendix 1 and endorse the improvement actions identified in the Statement.**		

1. Background

1.1 The need to review arrangements for corporate governance and internal control and to produce the Annual Governance Statement (AGS), attached as Appendix 1, is given statutory backing by the Accounts and Audit Regulations 2006. The CIPFA/SOLACE governance framework 'Delivering Good Governance in Local Government' brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation.

1.2 CIPFA has assigned proper practice status to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and (where applicable) leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations.

1.3 The Audit Commission has stated that the arrangements required for gathering assurances for the preparation of the annual governance statement provide an opportunity for authorities to consider the robustness of their governance arrangements. In doing so, authorities need to recognise that this is a corporate issue, affecting everyone in the organisation. It is also important to recognise that the purpose of the annual governance statement is not just to be 'compliant', but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required. This will also demonstrate to stakeholders what those arrangements are.

1.4 The internal control framework extends beyond financial controls to include all aspects of the conduct of the Council's business and takes the form of a review of the effectiveness of the internal control systems. Statutory guidance requires the AGS to be signed by the most senior officer (Chief Executive Officer) and the most senior Member of the Council (the Leader) at the same time as the Statement of Accounts is approved. A draft of the Annual Governance Statement is attached as an appendix to this report.

1.4 The Chartered Institute of Public Finance (CIPFA) and Society of Local Authority Chief Executives (SOLACE) published guidance to help authorities prepare the AGS. This statement constitutes "proper practice" under the 2006 Regulations. It is deliberately not prescriptive and authorities are encouraged to determine the exact form and content for much of the AGS for reporting with their accounts.

2. Key issues

2.1 The Annual Governance Statement sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The AGS also identifies any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these.

2.2 The Annual Governance Statement relates to the system of governance arrangements and internal control as it applied during the financial year in this case, the 2012/13 financial year.

2.3 The Audit Commission's Code of Audit Practice states that the AGS and underlying process will form a key piece of evidence for auditors' work on the authority's arrangements to secure economy, efficiency and effectiveness. In summary, the AGS will form an increasingly important part of the external auditors' work and subsequent opinion on the control arrangements of the Council.

Reviewing the effectiveness of Internal Control

2.4 The scope of internal control spans the whole range of local authority activities and includes those controls designed to ensure that:

- Council policies are put into practice.
- There is compliance with law and regulation.
- Agreed procedures are followed.
- Financial statements and other published information are reliable and accurate.
- There is the efficient and effective use of management and resources in the delivery of high quality services.

2.5 The CIPFA statement recommends that the Council should satisfy itself that it has obtained relevant and reliable evidence to support the Statement and sets out an **assurance gathering process** framework. This framework comprises the following stages:

1. Establish principal statutory obligations and organisational objectives
2. Identify key risks to their achievement
3. Identify and evaluate key controls to manage principal risks
4. Obtain assurances on the effectiveness of key controls
5. Evaluate and identify gaps in controls and assurances
6. Produce an action plan to address gaps and ensure continuous improvement in internal controls
7. Produce the Annual Governance Statement
8. Report to Committee

2.6 An officer working group of the Head of Audit Services, Head of Corporate Governance and Chief Finance Officer reviewed a set of detailed matrices assessing the Council's position against criteria set out by CIPFA/SOLACE for each of the above stages (referred to as Objectives in the methodology). The working group reviewed constitutional arrangements, policies and procedures and obtained confirmation of arrangements from key officers.

2.8 The sources of assurance include:

- Published documents (e.g. Constitution)

- MAT members and managers throughout the organisation assigned with the ownership of risks and delivery of services
- Annual Review of Corporate Governance undertaken by Overview and Scrutiny Committee
- The Monitoring Officer
- The Responsible Financial Officer
- Internal Audit
- External Audit
- Review agencies and inspectorates
- Review of Corporate Risk Register by Management Team; Corporate Risk Management Group; Audit Committee and Cabinet

2.9 In undertaking the review and completing the Annual Governance Review all of the above sources of assurance have been taken into consideration.

2.10 An important source of assurance is provided by the work of Internal Audit and several of the control issues identified in part 3 of the Statement relate to items identified in the Audit Services' Reports for 2012/13 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.

2.11 It is important the actions identified with regard to the control issues are taken forward.

3. Options analysis and proposal

3.1 It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2012/13.

4. Financial implications

4.1 There are none

5. Other considerations

5.1 The Accounts and Audit Regulations require the Statement of Accounts to include a signed off Annual Governance Statement, failure to do so could result in qualification of the accounts.

6. Risks and how they will be mitigated

7. Failure to implement improvement actions will result in increased risks for the authority.

8. Timetable for implementation

8.1 None

Background papers:

Appendices: Appendix A: Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT 2012-13

Scope of responsibility

Spelthorne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, this includes arrangements for the management of risk.

The 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 code is on our website at www.spelthorne.gov.uk or can be obtained from The Council Offices, Knowle Green, Staines TW18 1XB. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) Regulations 2011 in relation to the publication of an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled. It also identifies activities through which the Council accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives of appropriate, cost effective services.

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

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

- The Council publishes on an annual basis its Corporate Plan. The Council's current Corporate Plan 212-15 is published on the website http://www.spelthorne.gov.uk/corporateplan). The Corporate Plan and priorities

feed into the Service Plans which set out the financial and performance objectives of each service for the year
- Additional resource and focus has been put into ensuring comprehensive completion of service plans
- Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective.

Reviewing our vision and its implications for our governance arrangements
- The Council regularly reviews the authority's vision and its implications for the authority's governance arrangements. The Council reviewed and updated in December 2012 a new set of Corporate priority themes. Progress towards the achievement of the objectives will be monitored through the performance management system.

- The Council engages with the public and translates the community's priorities into a Community Plan in conjunction with our partners

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

- Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.

- The Council undertakes when appropriate consultation exercises and uses focus groups and a wide variety of other methods to obtain feedback from the community. For example the Council undertook consultation when developing its Council Tax Support policy for 2012-13.

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

- Spelthorne Borough Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Council operates Executive arrangements with a Leader and Cabinet (since 2011-12 it has operated the Strong Leader model whilst retaining a Cabinet) who recommend the major policies and strategies to the Council. The Cabinet is also responsible for most of the non-regulatory functions of the Council. The Cabinet is made up of the Leader and eight other cabinet members, who are all appointed by the Council. Major decisions which affect significant proportions of the community are published in advance in the Cabinet's Forward Plan, and will always (unless there are exceptional circumstances) be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

- There is one scrutiny committee ie. the Overview and Scrutiny Committee which reviews decisions and actions taken by the Cabinet and other Council functions. A "call-in" procedure allows scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The scrutiny committee also reviews, monitors and scrutinises the performance of the Council in relation to its policy objectives, performance targets, action plans and relationships with external partnership bodies and organisations. Within its community leadership functions, the scrutiny powers have been exercised by the Council in relation to the work of other partner organisations which affect the whole of the Spelthorne Community.

- The Council has agreed a Local Code of Corporate Governance in accordance with the revised CIPFA/SOLACE Framework for Corporate Governance and in doing so has adopted the highest possible standards for the governance of the authority.

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

The standards of conduct and personal behaviour expected of members and officers of Spelthorne Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols. The Members Code of Conduct was revised in summer 2012 reflecting the Localism Act, These protocols include:

- Member Code of Conduct Committee
- A performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- An Anti Fraud and Corruption policy
- Member/officer protocols

Whistle-blowing and receiving and investigating complaints from the public

- Confidential reporting arrangements are in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

- The Council handles complaints effectively and keeps under review its complaints handling processes.

- The Council regularly reviews and updates standing orders, standing financial instructions, its scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks. In the last four years both Financial Regulations and Contract Standing Orders have been revised in light of changing circumstances. Refresher Training on application of the contract standing orders has been periodically provided to officers.

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

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

- Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation. Reminders are provided for staff on key policies which protect them and the public, for example the whistle-blowing policy and the Money Laundering Regulations.

- The Council has a designated Monitoring Officer who is the Head of Corporate Governance who is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and the Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports have been necessary in recent years.

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

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources. Performance against targets is reported regularly to Overview and Scrutiny Committee and performance against targets is maintained online on the Council's performance management system available for review by Councillors and officers.

Financial Management

- The financial management of the Council is conducted in accordance with the financial rules set out in Part 4 of the Constitution, which includes the financial regulations. The Council has a designated officer who fulfils the role of the Section 151 Officer in accordance to the Local Government Act 1972. The Council has in place a medium term financial strategy.

- Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

- Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

  In particular, the process in 2012/13 included:

- The setting of the outline budget framework and the detailed annual budget;
- Monitoring of actual income (including investment returns) and expenditure against the annual budget;
- Setting of financial and performance targets, including the prudential code and associated indicators;
- Monthly reporting of the Council's financial position to corporate Management Team and quarterly to the Cabinet and the Overview and Scrutiny Committee;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;

- Managing risk in key financial service areas.

Effectiveness of Internal Audit

- The Council maintains an internal audit section, which operates to the standards set out in the "Code of Practice for Internal Audit in Local Government in the UK and the new Public Sector Internal Audit Standards
- The Council has an objective and professional relationship with External Audit and statutory inspectors. as evidenced in the Annual Audit Letter
- A review of the effectiveness of system of internal audit is undertaken annually and considered by the Audit Committee.

A Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

- The Council has an Audit Committee which is responsible for considering the effectiveness of the Council's system of internal control. This Committee performs the core functions as set out in CIPFA guidance. Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

Compliance

The Council's financial management arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) with the Chief Financial Officer being a member of the corporate management team.

Performance and Risk Management

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources. The Chief Finance Officer is currently the authority's risk champion. Audit Services support the risk management process through the risk based audit approach and by assisting services in the review of risk assessments. Risk management is built into the Council's corporate project methodology. Corporate Management Team and Audit Committee both review the Corporate Risk Register on a quarterly basis and Cabinet reviews on an annual basis
- During the year the Council revamped its corporate approach to project management and put in place a small corporate project management to ensure consistency of project management and delivery. Managers across the Council and Councillors have received training on project management.
- During the year Audit identified risks around resources with respect to delivery of projects in certain specific service areas, the corporate Management Team responded to this by re-allocating resources to support project delivery in asset management and housing related areas.

<u>The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training</u>

- A resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.
- As indicated above during the year both councillors and officers received project management training

<u>Incorporating good governance arrangements in respect of partnerships and other group working</u>

- The Council incorporates good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflects these in the authority's overall governance arrangements.

<u>The ethical conduct of members and officers of this Council</u>

- The Council has under the Constitution established a Members Code of Conduct Committee and a Members Code of Conduct which has recently been revised in accordance with the new national framework under the Localism Act.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit Services' annual report, and also by comments made by the external auditor and other review agencies and inspectorates.

Officers reviewed the Council's governance arrangements and assessed them against the six CIPFA/SOLACE core principles underpinning the then new Code of Corporate Governance framework issued by CIPFA/SOLACE. The six principles are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust accountability

An officer working group consisting of Head of Audit Services, Head of Corporate Governance and Chief Finance Officer completed during 2012-13 a detailed assessment of the Council's position against the criteria set out in the eight objectives underpinning the Code of Governance framework. The eight objectives are:

- Establish principal statutory obligations and organisational objectives
- Identify principal risks to achievement of objectives
- Identify and evaluate key controls to manage principal risks
- Obtain assurances on effectiveness of key controls
- Evaluate assurances and identify gaps in control/assurances
- Action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance
- Produce the Annual Governance Statement
- Report to Audit Committee

The review included reviewing the constitution, procedures and obtaining confirmation of arrangements from key officers to ensure that there was sufficient and relevant evidence to provide assurance that there are appropriate controls in place.

The officers' review of arrangements against the six principles included considering the arrangements in place for:

- The authority
- The Cabinet
- The Audit committee and Overview and Scrutiny Committee
- The Members Code of Conduct Committee
- Internal audit
- Other explicit review/assurance mechanisms.

The review this year has provided reassurance to management of the Council that the governance arrangements in place are adequate and effective. The review has been considered by the corporate management team as well as by Audit Committee

Significant governance issues

The overall opinion of the Head of the Audit Partnership is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit Services during 2012/13 which is summarised in Audit Service's Annual report to the June Audit Committee.

Any shortcomings identified with a significant level of risk attached have been transferred onto the Council's Corporate Risk Register for quarterly monitoring by Management Team and the Audit Committee.

Cllr Watts R.Tambini

....	....
Cllr Roberto Watts	Roberto Tambini
Leader of the Council	Chief Executive

WORK PROGRAMME 2013 – 2014

AUDIT COMMITTEE – 12 DECEMBER 2013

Resolution Required

1. Work Programme

1.1 This report covers the Work Programme for the 2013/14 municipal year. The Committee's terms of reference are set out at the front of the agenda

2. Current Work Programme

2.1 The remaining three meetings of this Committee have been schedules in the Council's Diary for 2013-14 on the following dates:

- 12 December 2013
- 27 March 2014

2.2 Details of the currently identified items in the Work Programme are as follows:

12 December 2013		
Annual Audit letter	External Audit	Letter
Audit Services interim Report	Head of Audit Services	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Confidential Reporting Code (Whistleblowing Policy)	Head of Audit Services	Review
Anti-fraud, corruption and bribery policy	Head of Audit Services	Review
Committee's Work programme	Head of Audit Services/ Chief Finance Officer / Audit Committee	Report

27 March 2014		
External Audit Plan	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate Head of StreetScene	Updates on target dates missed
Internal Audit Annual Plan	Head of Audit Services	Report

2.3 Any topics identified during consideration of the business at this meeting, will need to be included in the Work Programme.

2.4 Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee may be included in the Work Programme.

2.5 External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Work Programme or appear on the agenda as appropriate.

2.6 The Committee may require a Head of Service to attend the next meeting of the Committee, where the Head of Audit Services has identified a risk but the target for controls to be put in place remains outstanding. This may be agreed either at the request of the Committee or if the matter is considered urgent, by the Chairman in consultation with the Chief Finance Officer.

3. Resolution

3.1 The Audit Committee is asked to consider and approve the Work Programme as submitted and/or amended at the meeting.

Contact: Deanna Harris, Head of Audit Services (01784) 446207

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