

Please reply to:

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Date: 10 September 2014

Notice of meeting

Audit Committee

Date: Thursday 18 September 2014

Time: 7.30 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames

To the members of the Audit Committee

Councillors:

M.J. Madams (Chairman)
A.C. Harman (Vice-Chairman)
J.A. Dale

D. Gohil
D. Patel

A.C. Patterson
C.V. Strong

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

1. Apologies

To receive any apologies for non-attendance.

2. Minutes

To confirm the minutes of the meeting held on 26 June 2014 (copy attached). 1 - 3

3. Disclosures of Interest

To receive any disclosures of interest from members in accordance with the Council's Code of Conduct for members.

4. External Audit Report on Audit and Statement of Accounts

To consider the report of the Assistant Chief Executive and receive the report from the External Auditor (copy attached). 4 - 117

5. Corporate Risk Management - Emergency Planning

The Risk and Resilience Manager, Nick Moon, will address the Committee in relation to Emergency Planning.

6. Corporate Risk Management

To receive a report from the Assistant Chief Executive (copy attached). 118 - 132

7. Report on the Effectiveness of the System of Internal Audit

To receive a report from the Head of Audit Services (copy attached). 133 - 135

8. Annual Governance Statement

To receive a report from the Chief Finance Officer (copy attached). 136 - 149

9. Committee Work Programme 2014/15

The Committee is requested to consider and approve its work programme for the Municipal Year 2014/15 (copy attached). 150 - 151

**Minutes of the Audit Committee
26 June 2014**

Present:

Councillor M.J. Madams (Chairman)
Councillor A.C. Harman (Vice-Chairman)

Councillors:

D. Gohil

A.C. Patterson

C.V. Strong

Apologies: Apologies received from Councillor D. Patel.

157/14 Minutes

The minutes of the meeting held on 20 May 2014 were approved as a correct record.

158/14 Disclosures of Interest

There were none.

159/14 Corporate Risk Management – Performance Management Arrangements

The Committee received an update from the Assistant Chief Executive, Lee O'Neil on the Council's Performance Management arrangements. He described four processes relating to performance management at the Council comprising the Corporate Planning Process, Service Planning Process, Appraisal Process and Performance Reporting Process. He stated that under the new arrangements a working group had been formed to monitor and review the Corporate Plan and recommend to Cabinet ways to improve Council services. The Committee requested an update following the first Performance Management Working Group meeting at the next Audit Committee on 18 September 2014. Councillors recommended that issues arising from the previous residents survey should be acknowledged prior to launching the next survey, to feed into the Corporate Planning process.

Resolved that the Assistant Chief Executive, Lee O'Neil attend the next Audit Committee on 18 September 2014 to give an update following the first Performance Management Working Group meeting.

160/14 Corporate Risk Management

The Head of Audit Services 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.

The Head of Audit Services drew members' attention to the closure of Bed and Breakfast providers in the borough and the substantial pressures this

Audit Committee, 26 June 2014 - continued

posed for the Council's housing departments. She explained that due to the major changes to Housing Benefit legislation, the demands on the Housing team had exacerbated considerably. The Committee noted that an external Housing Advisor had been contracted to look at all options for investing in affordable housing as well as good practice elsewhere to alleviate associated risks.

The Committee was concerned about the effect of increased workload on Housing / Housing Benefit staff morale.

The Committee also discussed the potential impact of flooding on the Council's Staines-upon-Thames regeneration project. The Committee were reminded that Nick Moon, the Risk and Resilience Manager, will attend the next Audit Committee on 18 September 2014 to provide an update on Emergency Planning and the Community Flood Meeting held on 5 June 2014.

The Head of Audit Services highlighted the continued risks associated with the lack of Council grounds maintenance and horticultural expertise and the task to address this issue. She explained that although this risk was being addressed, more needed to be accomplished to eliminate this ongoing concern. The Committee therefore discussed ways of addressing the outstanding risk, and for consideration to be given to using volunteers, Internships and Apprentices.

The Head of Audit also raised issue of the potential reputational damage and fines associated with poor information governance. She notified the Committee that the Head of Corporate Governance will attend the next Audit Committee on 18 September 2014 to provide an update on this matter.

The committee requested more information to be included in the next version of the Corporate Risk Register, specifically more description on the progress of actions which have been categorised as ongoing. The committee also requested that the status recorded under the 'action' column correspond to the RAG rating key.

Resolved that:

- (1) The contents of the Corporate Risk Register be noted and accepted;
- (2) The Head of Corporate Governance to attend the next Audit Committee to outline the steps taken to mitigate the risks associated with information governance.
- (3) The Risk and Resilience Manager, to attend the next Audit Committee to answer queries relating to Emergency Planning.
- (4) The next version of the Corporate Risk Register to ensure that the RAG status description is accurately reflected in the detailed register. and that where actions have been described as 'ongoing', there is scope to provide more detail under the 'Progress' column.

Audit Committee, 26 June 2014 - continued

161/14 Internal Audit Annual Report

The Head of Audit Services outlined the Internal Audit Annual Report 2013/2014 which demonstrated how the authority fulfilled its statutory requirements to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices.'

Resolved to note the Internal Audit Annual Report.

162/14 Committee Work Programme 2014-2015

The Committee considered its Work Programme for the 2014-2015 Municipal year.

Resolved to note the Committee Work Programme 2014-2015 subject to the inclusion that:

- (1) The Assistant Chief Executive, Lee O'Neil to provide an update on the work of the Performance Reporting Management Working Group at the next committee on 18 September 2014.
- (2) The Head of Corporate Governance to attend the next Audit Committee on 18 September 2014 to outline the steps taken to mitigate the risks associated with information governance.
- (3) The Risk and Resilience Manager, Nick Moon to attend the Audit Committee to be held on 18 September 2014 to answer queries relating to Emergency Planning.

The Committee warmly welcomed Punita Talwar, the Audit Manager, back to the Audit Committee after a period of absence.

Audit Committee

18 September 2014



Title	External Audit Report on the 2013/14 Audit and Statement of Accounts		
Purpose of the report	To note		
Report Author	Terry Collier		
Cabinet Member	Councillor Tim Evans	Confidential	No
Corporate Priority	Value for money Council		
Cabinet Values	Accountability		
Recommendations	<p>The Audit Committee is asked to note the External Auditor's 2013/14 audit report (Appendix A). That the Chief Finance Officer sign the letter of representation (as attached to appendix 4 of the Auditors' report).</p> <p>That the Chief Finance Officer and Chairman of the Committee sign the statement of accounts</p> <p>That the Audit Committee notes the draft officer responses to the recommendations made in Appendices 1 and 2 of the Auditors report.</p>		

1. Key issues

- 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 2013/14 audit is attached as **Appendix A**.

Financial Statements (Section Three, pages 5 to 9; and Appendix 3 page 14-15)

- 1.4 The final version of the Statement of Accounts, reflecting the minor amendments required by the external auditors, is attached as **Appendix B**. Three audit adjustments were identified of which two have been made and the third, relating to capitalisation of expenditure has not been implemented as it has been agreed with KPMG as not being material. The first two differences related to classification of business rates (NDR) it should be noted that 2013-14 was the first year of a new regime for retention of business rates and associated with this was a new accounting regime for which accounting guidance was issued relatively late, Spelthorne was not alone in having some initial issues.
- 1.5 KPMG anticipate issuing an unqualified audit opinion by 30 September 2014. 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 6)

- 1.6 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.

Value for Money (Section Four, page 12)

- 1.8 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 2014.

Other Matters

- 1.9 The report confirmed that the overall control environment was effective. Key financial systems are generally sound and the auditor's made 1 priority two (broadly medium level) recommendation in respect of ensuring all working papers available for auditors at the outset of the audit .

2. Options analysis and proposal

- 2.1 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 (page 11).
- 2.2 That the Committee note the recommendations made in Appendices 1 and 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.

3. Financial implications

- 3.1 There are none

4. Other considerations

- 4.1 There are none.

5. Timetable for implementation

- 5.1 As per the responses set out to the recommendations.

Background papers:
None

Appendices:
KPMG Report
Audited Statement of Accounts 2013/14



cutting through complexity™

Report to those charged with governance (ISA 260) 2013/14

Spelthorne Borough Council

September 2014





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 0303 4448 330.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Spelthorne Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- our work to support our 2013/14 value for money (VFM) conclusion.

Financial statements

Our *External Audit Plan 2013/14*, presented to you in February 2014, set out the four stages of our financial statements audit process.



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 during March 2014 (interim audit) and July/August 2014 (year end audit).

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

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- reviewing the Annual Governance Statement (AGS);
- 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 and 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 our key findings from our audit work in relation to the 2013/14 financial statements.
- Section 4 outlines our 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 recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity 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. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	<p>Our audit has identified a total of 3 audit adjustments with a total value of £3.3 million. The impact of these adjustments is to:</p> <ul style="list-style-type: none"> ■ Decrease the deficit on provision of services for the year by £0.2 million; and ■ Increase the net worth of the Authority as at 31 March 2014 by £0.2 million. <p>We have included a full list of significant audit adjustments at Appendix 2. All but one of these were corrected by the Authority. The uncorrected adjustment is not material.</p> <p>We have raised a number of recommendations in relation to the matters highlighted above, which are summarised in Appendix 1.</p>
Key financial statements audit risks and other areas of audit focus	We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.
Accounts production and audit process	<p>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 <i>Prepared by Client</i> request. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>We have re-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 previous ISA 260 reports.</p>



Section two Headlines

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Control environment	While our work has primarily been substantive in nature we have not noted any significant weaknesses in organisational controls or controls over key financial systems during the course of our work that we wish to bring to your attention.
Completion	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> ■ Review of final accounts and amended WGA pack. <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>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.</p>
VFM conclusion and risk areas	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.</p>



Section three

Proposed opinion and audit differences

Our audit has identified a total of 2 audit adjustments.

The impact of these adjustments is:

- No impact on the general fund balance at 31 March 2014;
- Decrease the deficit on provision of services by £262k; and
- Increase the net worth of the Authority by £262k

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 18 September 2014.

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.

Our audit identified a total of 3 significant audit differences, which we set out in Appendix 3. It is our understanding that two of these will be adjusted in the final version of the accounts. The third relates to capital enhancements and is not material at £262k. A recommendation has been raised in Appendix 1 regarding reviewing this area in future years.

The tables on the right illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2014.

The net impact on the General Fund as a result of audit adjustments is to nil.

Movements on the General Fund 2013/14			
£m	Pre-audit	Post-audit	Ref (App.3)
Deficit on the provision of services	3,008	2,746	1, 3
Adjustments between accounting basis & funding basis under Regulations	(5,223)	(4,961)	3
Transfers to earmarked reserves	494	494	
Increase in General Fund balances	1,721	1,721	

Balance Sheet as at 31 March 2014			
£m	Pre-audit	Post-audit	Ref (App.3)
Property, plant and equipment	39,517	39,779	3
Other long term assets	23,895	23,895	
Current assets	12,537	13,584	2
Current liabilities	(5,935)	(6,982)	2
Long term liabilities	(35,241)	(35,241)	
Net worth	34,773	35,035	
General Fund	(2,528)	(2,528)	
Other usable reserves	(13,570)	(13,570)	
Unusable reserves	(18,675)	(18,413)	3
Total reserves	(34,773)	(34,511)	



Section three

Proposed opinion and audit differences (continued)

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

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

Of the other audit adjustments we have identified, the most significant in monetary value are as follows:

- £2,723k changes in the classification of short term receivables in a disclosure note. These changes relate to categorisation of NDR receivables.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14* ('the Code'). We understand that the Authority will be addressing these where significant.

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.



Section three Key financial statements audit risks


We have worked with officers throughout the year to discuss specific risk areas and other areas of audit focus. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14* presented to you in February, we identified the key areas of focus for our 2013/14 audit. 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 findings for each of the areas of focus that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.



Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Risk / Area of focus	Issue	Findings
	<p>During the year the Local Government Pension Scheme for Surrey (the Pension Fund) has undergone a triennial valuation in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>Where data provided to the actuary is inaccurate this would impact on the actuarial figures in the accounts. Most of the data is provided to the actuary by Surrey County Council who administer the pension fund.</p>	<p>We reviewed the basis of the source data supplied to the pension fund administering authority including separate consideration of the unfunded pension liability relating specifically to the Authority.</p> <p>We liaised with Grant Thornton who are the auditors of the pension fund.</p> <p>We liaised with Grant Thornton who are the auditors of the pension fund where this data was provided by the pension fund on the Authority's behalf.</p> <p>Based on the work above no issues have been identified to bring to your attention.</p>



Section three
Key financial statements audit risks (continued)

We have worked with officers throughout the year to discuss specific risk areas and other areas of audit focus. The Authority addressed the issues appropriately.

Risk / Area of focus	Issue	Work conducted and findings
 <p>Changes to CIPFA Code</p>	<p>The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 has introduced a number of changes to the 2013/14 financial statements.</p> <p>There are revisions to the accounting for post-employment benefits required by amendments to IAS19 and changes to Collection Fund Accounting arrangements.</p>	<p>Our work in 2013/14 included a specific focus on Collection Fund Accounting arrangements arising from changes to the CIPFA Code and means by which the authority distributes its collected business rates</p> <p>Our testing identified a number of classification issues which have impacted both on the prime statements (Appendix 3) and on disclosure notes. None of these changes impacted on the net worth of the Authority and all amounts have been adjusted in the final audited accounts.</p>
 <p>Management Override of Controls</p>	<p>We consider management override of controls as a standard risk for all organisations.</p>	<p>Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.</p>



Section three

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

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

The Authority has implemented the majority of the recommendations in our *ISA 260 Reports (2012/13 and earlier years)*.

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 continues to have reasonable financial processes in place. There is scope to improve this further through more detailed review of draft accounts for internal consistency purposes before submission to audit. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2014.
Quality of supporting working papers	Our <i>Prepared by Client</i> schedule which we issued in March 2014 and discussed with the finance team set out our working paper requirements for the audit. The quality of working papers provided was variable but met the standards specified in our <i>Prepared by Client</i> schedule. Not all working papers were available at the commencement of the audit. This issue is consistent with previous years and has been re-raised in Appendix 2.

Element	Commentary
Response to audit queries	Officers resolved the majority of audit queries in a reasonable time.

As a result of the above we have raised a recommendation in respect of the Authority’s working papers which is included in Appendix 1.

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 implemented the majority of the recommendations in our *ISA 260 Reports (2012/13 and earlier years)*.

Appendix 2 provides further details.



Section three

Control environment

The Authority's organisation control environment is effective, and controls over the key financial systems are sound.

During March 2014 we completed our interim work which includes consideration of organisational and financial controls as appropriate. We did not issue an interim report as there were no significant issues arising from this work. For completeness we reflect on key findings from this work.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

We found that your organisational control environment is effective overall.

Controls over key financial systems

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on the work conducted we have not identified any issues which we wish to bring to your attention.



Section three 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 2014, 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 4 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. We have provided a template to the Assistant Chief Executive for presentation to the Audit Committee. 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' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the

financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.



Section four – VFM conclusion

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.

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

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.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. For 2013/14 the scope of work on value for money at the Authority, as detailed in our Audit Plan, was to :

- reviewing the Annual Governance Statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our responsibilities; and
- other risk-based work as appropriate or any work mandated by the Audit Commission.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We have reviewed your Annual Governance Statement and have no issues to raise.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

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	✓



Appendices

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
<p>1 <i>Priority one:</i> 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.</p>	<p>2 <i>Priority two:</i> 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.</p>	<p>3 <i>Priority three:</i> 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.</p>

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<p>Capital Enhancements</p> <p>Our work on PPE notes that the Council capitalise certain building works and then immediately impair these on the basis that they are considered not to add to the value of the asset. Where expenditure is not considered to be enhancing or otherwise does not meet Code criteria it may not be appropriate for this to be funded from capital sources. Sufficient capital financing was provided from revenue in year that this would not have resulted in inappropriate use of capital funds but this could result in this in future years if this issue recurs.</p> <p>As we note in Appendix 3 the Council consider that this expenditure was capital in nature. It should therefore be depreciated.</p> <p>Recommendation</p> <p>We recommend that the Council review its capital expenditure in year to ensure that it is compliant with the Code definition of capital expenditure. Where expenditure is considered to be enhancing this should not be immediately impaired and should be depreciated over an appropriate useful economic life.</p>	



Appendices

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	3	<p>NNDR3 Return</p> <p>During the course of our detailed business rates work in year we have noted errors on the NNDR3 return submitted by the Council to central government relating to prepaid business rates not being reported.</p> <p>Recommendation</p> <p>While we are not required to certify the accuracy of the NNDR3 return for 2013/14 and the errors identified have no impact on the accounts we recommend that the Council inform DCLG of the required changes to its NNDR3 form as these may impact on relevant calculations and Council allocations for future years.</p>	



Appendices

Appendix 2: Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our ISA 260 Reports (2012/13 and earlier years).

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Reports (2012/13 and earlier years) and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	9
Implemented in year or superseded	8
Remain outstanding or not yet due (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2014
1	3	<p>Completeness of supporting working papers</p> <p>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 <i>Prepared by Client</i> (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.</p> <p>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</p>	<p>Agreed.</p> <p>Responsible Officers: Jo Hanger and Adrian Flynn (Principal Accountants)</p> <p>Due Date: June 2014 as part of the next audit process.</p>	<p>In progress</p> <p>While the current year audit indicates wider compliance than in the previous year not all working papers were available from the outset.</p> <p>This includes a copy of the ledger trial balance mapped to the accounts and a completed CIPFA Code Disclosure Checklist.</p>



Appendices

Appendix 3: Audit differences

This appendix sets out the significant audit differences.

It is our understanding that all of these will be adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Spelthorne Borough Council financial statements for the year ended 31 March 2014. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact (£'000)			Basis of audit difference
			Assets	Liabilities	Reserves	
1	Dr NDR income £1,942 Cr Council Tax income £1,899 Cr Non ring-fenced government grants £43	-	-	-	-	The Authority's share of the NDR collection fund deficit was netted from its share of the Council Tax collection fund surplus in error rather than including this against its NDR income for the year.
2	-	-	Dr Short Term Receivables £1,047	Cr Provisions £1,047	-	The Authority set an aside an appropriate provision for appeals relating to NDR rateable value appeals but netted this from debtors rather than separately disclosing as a provision.
	-	-	Dr £1,047	Cr £1,047	-	Total impact of adjustments



Appendices

Appendix 3: Audit differences (continued)

The cumulative impact of uncorrected audit differences is £262k.

This is below our materiality level .

Uncorrected audit differences

The following table sets out the uncorrected audit differences identified by our audit of Spelthorne Borough Council's financial statements for the year ended 31 March 2014.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact (£'000)			Basis of audit difference
			Assets	Liabilities	Reserves	
1	Cr Impairments £262	Dr Adjustments between accounting and funding basis £262	Dr PPE £262		Cr Capital Adjustment Account £262	As noted in Appendix 1 the Authority capitalise some expenditure and then immediately impair this. The Authority will review its treatment of such matters in future years but has not adjusted toe 2013/14 accounts on the basis that this matter is not material.
	Cr £262	Dr £262	Dr £262	-	Cr £262	Total impact of uncorrected audit differences



Appendix 4: 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 Engagement Lead 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.



Appendices

Appendix 4: 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 2014, 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.



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Spelthorne Borough Council

Statement of Accounts 2013-2014

T Collier
Chief Finance Officer

Financial Statements and Annual Report

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Explanatory Foreword

By the Chief Finance Officer

The financial year 2013-14 was associated with considerable financial change for local government with the introduction of localised council tax support replacing council tax benefits and a retention of business rates regime. Despite the localised council tax support regime commencing in April 2013 the Council broadly maintained collection rates achieving 98.5% for council tax compared to 98.7% in the previous year. The introduction of business rates retention resulted in some changes to the transactions which go through the Collection Fund.

Whilst the national economy began to recover in 2013-14, the Council faced further funding pressures and service pressures in areas such as homelessness. Despite these pressures it is pleasing to see that the Council's outturn was within budget.

In the latter part of 2013-14 Spelthorne suffered from the impact of significant flooding along the Thames. The Council did incur additional expenditure with respect to response, recovery and council tax and business rates relief but has received government grant support to offset the impact of these costs.

The changes the Council made to its investment strategy which it made in 2012-13 began to bear fruit in 2013-14 with the diversified policy resulting in £7.5m of pooled funds (backed by equities, assets or corporate bonds) returning 5.12% and making an £816,000 capital appreciation.

The Statement of Accounts is presented in accordance with the Code of Accounting Practice on Local Authority Accounting in the United Kingdom 2013-14 as required by the Accounts and Audit Regulations 2013.

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** (page 10-11) 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 2013-14 on the provision of services (£3.008m) 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 increase before transfers to/from earmarked reserves is £2.215m. This is the statutory General Fund balance before any discretionary transfers to or from earmarked reserves. The net increase after transfers to/from earmarked reserves is £1.721m.

The **Comprehensive Income and Expenditure Statement** (page 12) 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 £4.602m reflects actuarial losses relating to the Council's pension liabilities of £1.736m.

The **Balance Sheet** (page 13) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (£34.773m) 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 2014 totalling £16.098m), 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, which used £1.019m of capital receipts and £353,000 of revenue is increased on the previous year's balance of £14.829m. 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 2014 totalling £18.675m). 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 Flows** (page 14) 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 outflows arising from operating activities (£2.389m) 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 and business rates we are required to prepare an annual **Collection Fund Statement** (page 66). 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 2013-14 was set at £175.56 per Band D property (a 1.94% increase on the previous year) after taking account of a transfer of £0.298m from reserves and a transfer of £28,800 into the Collection Fund following lower than expected collection rates for Council Tax during the previous year. 2013-14 saw the implementation of a new localised retention of business rates scheme under which part of the business rates are retained by the Council and the County Council to contribute towards their revenue budgets. In the first year of operation there were uncertainties as to the levels of provision which were required to be made for potential successful appeals which would then be backdated. Spelthorne made a provision of £1,046,338. This provision is now in place and will give greater certainty for the next few years. Additionally some businesses came off the rating listing and a significant development which was completed in 2013-14 has yet to be added to the rating list by the Valuation Office. This resulted in a deficit of £4.7m on business rates in 2013-14. In contrast on council tax there was a surplus of £1.4m reflecting a better collection performance than was expected with the introduction of localised council tax support.

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 2013-14 was £2.057 million and a breakdown of the schemes making up this spend can be found in note 32 (page 57). The following statement shows the total gross capital expenditure for the year and how it has been financed.

	£000
Total Capital Expenditure	2,057
Financed by:	
Capital Receipts	1,019
Specific Government Grants	290
Other Grants and Contributions	395
Revenue Reserves	353
Total Capital Financing	2,057

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 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Estimate 2017/18 £
Capital Programme	1,150,000	613,000	558,000	558,000
Resources available:				
Capital Receipts	865,000	328,000	273,000	273,000
Capital Grants/Contributions	285,000	285,000	285,000	285,000
	1,150,000	613,000	558,000	558,000

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 59 to 65)

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 2014, showing a deficit of £35.086m for this Council, which represents a £3.095m increase relative to 2012-13. This largely reflects:

- The deficit has increased due to an increase in the current service cost and decrease on the expected return on assets.
- 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 ongoing current contributions unchanged but will result in past service contributions increasing in steps of £179,000 in each year between 2014-15 and 2016-17. The liabilities of £35.086m 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 has implemented changes to public sector pensions which are likely to reduce the future cost to employers of such schemes. A revised National Local Government Pension Scheme took 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 2014 had no long term borrowing.

Provisions

During 2013/14 the Council utilised a total of £126,270 from two provisions it had made in 2012/13. These were in respect of Property search fee litigation (£37,270) and outstanding claims for the Council's former insurer, Municipal Mutual Insurance Limited (MMI) (£89,000). Prior to 1992 the Council's insurance was provided by MMI which went into administration and the Council was required to pay a levy to the administrator under the Scheme of Arrangement.

During 2013/14 an additional provision of £110,000 was made in respect of the ongoing property search litigation for claims and costs.

The Business Rates Retention system was also introduced from 1st April 2014 under which part of the business rates are retained by the Council. There is an element of risk linked to the new system in respect of appeals which can be made by businesses over their rateable value. Accordingly, a provision of £1,046,338 has been made to reflect the possible impact of outstanding appeals which are successful and then backdated.

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 (CIPFA). These accounts comply fully with their current requirements.

	Budget 2013-14	Actual Outturn	Variance Actual to Budget
	£000	£000	£000
Gross Expenditure	51,657	55,177	3,520
Gross Income	(39,578)	(41,406)	(1,828)
Net Service Expenditure	12,079	13,771	1,692
Interest on balances	(345)	(474)	(129)
Transfers (from)/ to reserves	(196)	36	232
			0
Budget Requirement	11,538	13,333	1,795
Financed by:			
Non-service related Grants	926	1,097	171
Revenue Support Grant	2,533	2,483	(50)
Non-domestic rates from national pool	1,685	3,371	1,686
Precept on Collection Fund	6,394	6,382	(12)

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.

Financial Strategy Review

The Council continuously reviews and updates its financial strategy. During 2013-14 the strategy was updated to respond to the grant cuts the Council will experience over the next few years. The Council is preparing for the possibility that by 2020 it may no longer receive any Revenue Support Grant.

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 2013-14 the Council continued to share several heads of service and other posts have been shared with a neighbouring borough council. The Council also began sharing its Head of Legal Services with another Surrey council.
 - Maximising income from the assets the Council owns. The Council has prioritised a number of projects which over the medium term will deliver significant income.
 - Seeking procurement savings
 - Rationalising accommodation and letting out office space. The Council is exploring options for the future provision of its office accommodation.
 - Tight vacancy control
 - Reviewing fees and charges
 - Smarter use of technology
 - Restructuring management and staffing levels
 - Seeking to encourage economic development within the Borough which ultimately may help stimulate business rates growth which will assist the Council's future funding.

The Council in setting the 2014-15 budget recognised that in order to generate significant new income streams there is a need to invest resources upfront and so made greater use of reserves in setting the 2014-15 budget than has been the case in recent years.

Summary

The next few years will continue to be extremely challenging. The Council was 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 and will continue to reduce for a number of years. The Council's ability to generate capital receipts was constrained, although with the economy now improving this is changing. The Council continues to be constrained in future years in its capital programme and that it may need to consider business

cases where appropriate for prudential borrowing particularly for proposals which may generate significant savings or income. A balanced budget was set for 2013-14 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, these reserves will be used in a targeted way to pump prime income generation projects. A number of strategies are being pursued 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. 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 18th September 2014 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 2014.

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: 18th September 2014

Councillor Mary Madams
Chair of Audit Committee

Date: 19th September 2014

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.

2013/14

2013/14	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 2013	807	11,632	1,670	720	14,829	24,546	39,375
Movement in Reserves during the year							
Surplus/(deficit) on Provision of Services	(3,008)	0	0	0	(3,008)	0	(3,008)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,594)	(1,594)
Total Comprehensive Income and Expenditure	(3,008)	0	0	0	(3,008)	(1,594)	(4,602)
Adjustments between accounting basis and funding basis under regulation (Note 7)	5,223	0	(728)	(218)	4,277	(4,277)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,215	0	(728)	(218)	1,269	(5,871)	(4,602)
Transfer from/(to) Earmarked Reserves (Note 8)	(494)	494	0	0	0	0	0
Increase/(Decrease) on 2013/14	1,721	494	(728)	(218)	1,269	(5,871)	(4,602)
Balance carried forward as at 31 March 2014	2,528	12,126	942	502	16,098	18,675	34,773

Movement in Reserves Statement Prior Year Comparatives

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	11,120	1,985	491	14,706	29,205	43,911
Movement in Reserves during the year							
Surplus/(deficit) on Provision of Services	(1,936)	0	0	0	(1,936)	0	(1,936)
Other Comprehensive Income and Expenditure	0	0	0	0	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	0	(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	0	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	11,632	1,670	720	14,829	24,546	39,375

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 on page 10.

2012/13		2013/14		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,650	Central services to the public	4,579	1,662	2,917
1,408	Cultural related services	2,698	1,225	1,473
6,551	Environmental and regulatory service	9,305	2,847	6,458
962	Planning services	1,297	334	963
(57)	Highways and transportation services	1,995	1,996	(1)
460	Housing services	32,693	32,064	629
549	Adult social care	2,205	1,602	603
1,638	Corporate and democratic core	1,619	11	1,608
49	Non distributed costs	66	0	66
14,210	Cost of Services	56,457	41,741	14,716
(72)	Financing and investment income and expenditure (Note 9)	1,476	1,086	390
(12,202)	Taxation and non-specific grant income (Note 10)	1,745	13,843	(12,098)
1,936	(Surplus)/Deficit of Provision of Services	59,678	56,670	3,008
0	(Surplus)/deficit on revaluation of property, plant and equipment assets	0	0	0
(675)	(Surplus)/deficit on revaluation of available for sale financial assets	0	142	(142)
3,285	Actuarial (gains)/losses on pension assets/liabilities	1,736	0	1,736
2,610	Other Comprehensive Income and Expenditure	1,736	142	1,594
4,546	Total Comprehensive Income and Expenditure	61,414	56,812	4,602

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 30th June 2014 and the audited accounts were authorised for issue on 18th September 2014.

2013		2014
40,832	Property, Plant and Equipment (Note 11)	39,517
210	Heritage Assets (Note 12)	208
178	Investment property (Note 13)	178
236	Intangible Assets (Note 14)	355
8,175	Long Term Investments (Note 15)	8,316
14,554	Long Term Receivables	14,838
64,185	Long Term Assets	63,412
7,017	Short Term Investments	2,511
79	Inventories	57
3,800	Short Term Receivables (Note 16)	6,383
3,799	Cash and Cash Equivalents (Note 17)	4,632
14,695	Current Assets	13,583
(29)	Short Term Borrowing	(29)
(7,191)	Short Term Payables (Note 19)	(5,784)
(139)	Provisions (Note 20)	(1,168)
(7,359)	Current Liabilities	(6,981)
(31,991)	Other Long Term Liabilities	(35,086)
(155)	Capital Grants Receipts in Advance	(155)
(32,146)	Long Term Liabilities	(35,241)
39,375	Net Assets	34,773
14,829	Usable Reserves (Note 21)	16,098
24,546	Unusable Reserves (Note 22)	18,675
39,375	Total Reserves	34,773

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.

2012/13		2013/14
£000		£000
(1,936)	Net Surplus/(Deficit) on the Provision of Services	(3,008)
6,672	Adjustments to net surplus/(deficit) on the Provision of Services from non-cash movements	619
0	Adjustments for items included in the to net surplus/(deficit) on the Provision of Services that are investing or financing activities	0
4,736	Net cash flows from Operating Activities (Note 23)	(2,389)
(7,596)	Investing Activities (Note 24)	3,223
(6)	Financing Activities Note 25)	(1)
(2,866)	Net increase/(decrease) in cash and cash equivalents	833
6,665	Cash and cash equivalents as at 1 April	3,799
3,799	Cash and cash equivalents as at 31 March	4,632

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. 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 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14, (SeRCOP), which are 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

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

There are no changes in accounting policy for 2013/14, however the following one policy has been added:

Policy no. 23 Principal and Agent arrangements

Policy: For the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal. However there are some situations whereby the Council is acting as an intermediary for all or part of a transaction or service, this is where the Council is acting as an Agent.

The two main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council tax and Business Rates income on behalf of itself and preceptors (Surrey County Council and Surrey Police in relation to Council Tax and the Department for Communities and Local Government (DCLG) and Surrey County Council in relation to Business Rates).

The implications for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

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 through 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.
 - 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.
 - 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.
 - 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.
 - 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 Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits 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 may be 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 Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the council's status as a 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 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 assets, 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 policies 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.

23 Principal and Agent arrangements

For the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal. However there are some situations whereby the Council is acting as an intermediary for all or part of a transaction or service, this is where the Council is acting as an Agent.

The two main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council tax and Business Rates income on behalf of itself and preceptors (Surrey County Council and Surrey Police in relation to Council Tax and the Department for Communities and Local Government (DCLG) and Surrey County Council in relation to Business Rates).

The implications for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

Notes to the Core Financial Statements

1. Analysis of Major Service Areas Expenditure

2012/13	Service Area	2013/14	2013/14	2013/14
Net £,000		Expenditure £000	Income £000	Net £000
	CENTRAL SERVICES TO THE PUBLIC			
318	Elections and Electoral registration	283	14	269
340	General Grants	258	0	258
(22)	Local Land Charges	217	205	12
(111)	Council Tax Benefits	35	35	0
208	Local Tax Collection	700	336	364
320	Communications	267	0	267
0	Corporate Management Team	0	0	0
315	DS Management Team	597	24	573
749	Environment	527	25	502
533	Other	1,695	1,023	672
2,650		4,579	1,662	2,917
	CULTURAL RELATED SERVICES			
326	Community Safety	411	63	348
676	Leisure & Culture	1,156	427	729
196	Open Spaces	641	75	566
(91)	Property Expenses	258	102	156
30	Recreation & Sport	64	60	4
271	Other	168	498	(330)
1,408		2,698	1,225	1,473
	ENVIRONMENTAL & REGULATORY SERVICES			
1,550	Environmental and Public Health	2,083	598	1,485
(248)	Cemeteries	114	385	(271)
114	Building Control	426	358	68
1,754	Open Spaces	1,940	230	1,710
2,500	Refuse & Recycling	3,695	1,502	2,193
881	Other	1,047	(226)	1,273
6,551		9,305	2,847	6,458
	PLANNING SERVICES			
962	Planning Services	1,297	334	963
962		1,297	334	963
	HOUSING SERVICES			
(277)	Housing Benefits	31,111	31,269	(158)
606	Housing	905	298	607
140	Homelessness	671	492	179
(9)	Other	6	5	1
460		32,693	32,064	629
	HIGHWAYS ROADS AND TRANSPORT SERVICES			
(116)	Parking Services	1,962	1,991	(29)
59	Other	33	5	28
(57)		1,995	1,996	(1)
	ADULT SOCIAL CARE SERVICES			
207	Community Care Administration	226	15	211
304	Day Centres	884	454	430
(20)	Meals on Wheels	206	201	5
85	Spelthorne Accessible Transport	280	173	107
0	Spelthorne Troubled Families	334	453	(119)
(27)	Spelthorne Personal Alarm Network	275	306	(31)
549		2,205	1,602	603
	CORPORATE AND DEMOCRATIC CORE			
940	Corporate Management	962	2	960
320	Committee Services and Corporate Governance	289	9	280
378	Democratic Representation and Management	368		368
1,638		1,619	11	1,608
49	Non Distributed Costs and Accumulated Absences Provision	66		66
49		66	0	66
14,210	TOTAL NET COST OF SERVICES	56,457	41,741	14,716

2. Accounting Standards Issued, Not Adopted

There were no accounting standards issued during 2013/14 that the Council did not adopt.

The International Accounting Standards Board (IASB) has issued a number of revised accounting standards that have not yet been adopted by either the Code or the Council, but will apply to the Council from the 1 April 2014. These are outlined below.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in May 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- Annual Improvements to IFRSs 2009 – 2012 Cycle

Adoption of IFRS 13 Fair Value Measurement will apply from 1 April 2015.

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 accounted for in 2013/14 (2012/13 £nil).

5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material 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	The effect on the net pension's liability of changes in individual assumptions can be measured. However, the

	returns on pension fund assets. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice.	assumptions interact in complex ways.
Arrears	At 31 March 2014, the Council had a balance of sundry Receivables for £5.3m and has made a provision of £782k 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 £782k 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 £30.8m in 2013/14. However, this expenditure is fully recovered by the receipt of subsidy from central Government, £30.8m in 2013/14, 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 2013/14 and the prior year 2012/13:

2013/14	General Fund Balance £000	Capital Receipts £000	Capital Grant Unapplied £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	2,365			(2,365)
Movement in the market value of investment properties				0
Revenue expenditure funded from capital under statute	590			(590)
Other adjustments	18			(18)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(177)		177	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(290)		(395)	685
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	(291)	291		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,019)		1,019
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
Revenue Contribution to capital finance	(53)			53
Adjustment primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	1,359			(1,359)
Adjustment primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,702			(1,702)
Total Adjustments	5,223	(728)	(218)	(4,277)

2012/13	General Fund Balance £000	Capital Receipts £000	Capital Grant Unapplied £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)
Other Adjustments	1			(1)
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	(79)			79
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	(315)	229	(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 2013/14.

Reserve Description	Balance as at 31/3/13	Transfers In 2013/14	Transfers Out 2013/14	Balance as at 31/3/14
	£000	£000	£000	£000
General Fund	807	1,721	0	2,528
Earmarked Reserves:				
Revenue Grants Unapplied	488	603	(145)	946
Capital Fund	443	0	0	443
Interest Equalisation	493	0	0	493
New Schemes Fund	1,604	0	0	1,604
Housing Initiatives	7,611	0	0	7,611
Business Improvement	286	0	0	286
Lottery Fund	2	0	(2)	0
Insurance	50	0	0	50
New Homes Bonus	50	0	0	50
Revenue Carry Forwards	239	0	0	239
Bridge Street	79	0	0	79
Bronzefield Maintenance	287	0	(5)	282
Business Rates Equalisation	0	43	0	43
	11,632	646	(152)	12,126
TOTAL	12,439	2,367	(152)	14,654

The balance on the General Fund reflects the implementation of the new business rates retention scheme which came into effect on 1st April 2013.

9. Financing and Investment Income and Expenditure

2012/13 £000		2013/14 £000
0	Interest payable and similar charges	0
859	Pension interest cost and expected return on pension assets	1,438
(560)	Finance Lease Income	(560)
(382)	Interest receivable and similar income	(474)
11	Income and expenditure in relation to investment properties and changes in their fair value	(14)
(72)	Total	390

10. Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
6,988	Council tax income	6,577
3,902	Non domestic rates	1,430
573	Non-ringfenced government grants	3,624
739	Capital grants and contributions	467
12,202	Total	12,098

The new Business Rates retention scheme commenced in April 2013, which sees the Council share non-domestic rate income with Central Government and Surrey County Council. This revised scheme explains the reduction in non domestic rates income shown.

11. Property, Plant and Equipment

Movement on Balances in 2013/14:

2013/14	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total Property, Plant and Equipment
Cost or valuation			
At 1 April 2013	43,466	5,794	49,260
Additions	21	902	923
At 31 March 2014	43,487	6,696	50,183
Accumulated Depreciation and Impairment			
At 1 April 2013	4,361	4,067	8,428
Depreciation Charge	1,386	590	1,976
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	262	262
At 31 March 2014	5,747	4,919	10,666
Net Book Value			
at 31 March 2014	37,740	1,777	39,517
at 31 March 2013	39,105	1,727	40,832

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 2014.

Effect of Changes in Estimates

In 2013/14, 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 (RICS). The next revaluation is due in 2016.

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:

2012/13	£000	Heritage Assets - War Memorials	2013/14	£000
		Cost or Valuation		
	212	Balance at 1 April		210
	(2)	Depreciation		(2)
	210	Total		208

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 finite 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 2012/13	Heritage Asset	Location	Valuation 2013/14
£000			£000
	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
47	Cedar Rec War Memorial	Cedars Rec Ground, Sunbury	46
53	Staines War Memorial	Market Square, Staines	52
210	Heritage Assets valued by Professional Valuer (see table above)		208
	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
395	Total - Heritage Assets (at current and insurance values)		393

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:

2012/13	£000	Investment Properties	2013/14	£000
	(45)	Rental Income from properties		(52)
	56	Direct operating expenses arising from investment properties		39
	11	Total		(13)

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 and there was no movement in 2013/14:

2012/13	£000	Investment Properties	2013/14	£000
		Cost or Valuation		
	178	Balance at 1 April		178
	0	Revaluation Adjustment		0
	178	Total		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 2013	£000		31 March 2014	£000
	280	Balance at 1 April		236
	32	New capital expenditure		245
	(76)	less Amortisation		(126)
	236	Total		355

15. Financial Instruments

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

31 March 2013			31 March 2014	
Long Term £000	Current £000		Long Term £000	Current £000
-	6,017	Investments	-	2,511
8,175	1,000	Loans and receivables	8,316	-
8,175	7,017	Available-for-Sale assets	8,316	2,511
		Total Investments		
		Debtors		
-	3,800	Financial assets carried at contract amounts	-	6,015
-	3,800	Total Debtors	-	6,015
		Borrowings		
-	29	Financial liabilities at amortised cost	-	29
-	29	Total Borrowings	-	29
		Creditors		
-	7,191	Financial liabilities carried at contract amounts	-	4,791
-	7,191	Total Creditors	-	4,791

Income, Expense, Gains and Losses

31 March 2013				31 March 2014		
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	
97	285	382	Interest income	90	384	474
0	685	685	Increase/(Decrease) in fair value	0	141	141
97	970	1,067	Net Gain for the year	90	525	615

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 2014 of 0.25% to 0.85% 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 2013			31 March 2014	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
29	29	Financial Liabilities	29	29
0	0	Long-Term Creditors	0	0

31 March 2013			31 March 2014	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
7,017	7,017	Loans and Receivables	2,511	2,511
14,554	14,554	Long-Term Debtors	14,838	14,838

- 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 payables 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 its treasury advisors 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, 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 service provided by their treasury advisors 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 counterparties 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 2014 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 2013 £000		31 March 2014 £000
466	Less than three months	739
37	Three to six months	18
32	Six months to one year	39
95	More than one year	119
630	Total	915

- **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 treasury advisor 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 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be that an additional £140k 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 and 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 2014, are set out below. All the investments were purchased during the financial year 2012/13 and the date of purchase is in brackets after the name of the fund:

Pooled Investment Fund Held at 31/3/14	Purchase Cost £000	Market value at 31/3/14 £000
Charteris Elite Income Fund (11/5/12)	1,000	1,008
Cazenove UK Corporate Bond Fund (11/5/12)	1,500	1,565
M&G Strategic Bond Fund (30/5/12)	1,500	1,599
M&G Global Dividend Fund (27/6/12)	1,000	1,270
Schroders Income Maximiser Fund (6/7/12)	1,000	1,242
CCLA Property Fund (31/3/13)	1,500	1,632
Total Pooled Fund Investments	7,500	8,316

- **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 2013 £000		31 March 2014 £000
503	Central Government bodies	2,895
3,659	Other entities and individuals	4,270
(362)	less Provision for Bad Debts	(782)
3,800	Total	6,383

17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up as follows:

2012/13 £000		2013/14 £000
5	Cash held by the Council	5
247	Bank Current Accounts	233
3,547	Short term deposits with banks & building societies	4,394
3,799	Total Cash and Cash Equivalents	4,632

18. Assets Held For Sale

The Council currently has no assets held for sale.

19. Payables

31 March 2013 £000		31 March 2014 £000
4,034	Central Government bodies	131
423	Other Local Authorities	1,833
2,734	Other entities and individuals	3,820
7,191	Total	5,784

20. Provisions

Municipal Mutual Insurance (MMI) - Prior to 1992 the Council's insurance was provided by (MMI) which went into administration. The provision made in 2012/13 was used this year in respect of the Council's share of outstanding claims. No further provision has been made or is required.

Local Land Charges - The authority has legal cases in progress in respect of local land charges that have been provided for and an additional provision of £110k has been made in the current year to fund future claims and costs.

Business Rates Appeals - Following the introduction of the Business Rates Retention system from 1st April 2014 the Council has taken on 40% of the liability relating to Business Rates Appeals. Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the Central Government Valuation Office Agency (VOA). The VOA then assesses the case and if the appeal is reasonable reviews the rateable value. This provision allows for the Council's potential liability in relation to refunds that could be made following successful appeals. The total provision raised at 31st March 2014 is £2,618,345 (included in the Collection Fund) and the Council's share of this liability is £1,046,338 (included in the Council's Accounts). This has been calculated based on appeals outstanding at the 31st March adjusted for historical trends and success rates. The Valuation Office Agency have committed to clearing 95% of the backlog of appeals by July 2015.

31 March 2013 £000		31 March 2014 £000
89	Property Search Refunds	-
50	Municipal Mutual Insurance	122
-	Business Rates Appeals	1,046
139	Total	1,168

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 2014:

Balance 31/3/13 £000	Reserve Description	Purpose of Reserve	Balance 31/3/14 £000
807	General Fund	The Council's statutory revenue account	2,528
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 expenditure 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 implementation of any business improvements designed to realise revenue efficiencies.	286
2	Lottery Fund	Net proceeds of the now closed Spelthorne local lottery.	-
50	Insurance	To provide a level of self insurance cover to offset the possible impact of higher deductibles 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
79	Bridge Street	To provide a fund for additional improvement works required to the Council's car parks.	79
287	Bronzefield Maintenance	Committed sum received from HMPS in 2012/13 for the maintenance of open spaces at Bronzefield Prison over a ten year period.	282
-	Business rate Equalisation	To neutralise the impact of the new business rates regime	43
488	Revenue Grants Unapplied	Grants received for revenue purposes	946
2,390	Capital Receipts and Grants	Receipts from asset sales and grants and contributions towards capital expenditure	1,444
14,829	Total Usable Reserves as at 31st March		16,098

For movement in the Council's usable reserves and transfers to and from these reserves see the Movement in Reserves Statement on page 10 and also in Note 8 above.

22. Unusable Reserves

31 March 2013 £000		31 March 2014 £000
12,705	Revaluation Reserve	12,095
675	Available For Sale Reserve	816
28,821	Capital Adjustment Account	28,234
14,544	Deferred Capital Receipts Reserve	14,544
(31,991)	Pensions Reserve	(35,086)
(35)	Collection Fund Adjustment Account	(1,737)
(173)	Accumulated Absences Account	(191)
24,546	Total Unusable Reserves	18,675

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.

2012/13 £000		2013/14 £000
13,316	Balance at 1 April	12,705
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
(611)	Difference between fair value depreciation and historic cost depreciation	(610)
12,705	Balance at 31 March	12,095

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.

2012/13 £000		2013/14 £000
(11)	Balance at 1 April	675
675	Upward revaluation of investments	
11	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	141
675	Balance at 31 March	816

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.

2012/13 £000		2013/14 £000
29,817	Balance at 1 April	28,821
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,355)	Charges for depreciation and impairment of non-current assets	(2,365)
(476)	Revenue expenditure funded from capital under statute	(590)
611	Adjusting amounts written out of the Revaluation Reserve	611
27,597	Net written out amount of the cost of non-current assets consumed in the year	26,477
	Capital financing applied in the year:	
634	Use of the Capital Receipts Reserve to finance new capital expenditure	1,019
343	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	290
168	Application of grants to capital financing from the Capital Grants Unapplied Account	395
79	Capital expenditure charged against the General Fund balance	53
1,224		1,757
0	Movement in the value of Investment Properties	0
28,821	Balance at 31 March	28,234

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.

2012/13 £000		2013/14 £000
(28,286)	Balance at 1 April	(31,991)
(3,285)	Actuarial gains and losses on pension assets and liabilities	(1,736)
(2,173)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,191)
1,753	Employer's pension contributions and direct payments to pensioners payable in the year	1,832
(31,991)	Balance at 31 March	(35,086)

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. This reserve relates to the Elmsleigh Centre finance lease

2012/13 £000		2013/14 £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 and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

During 2013/14 the new Business rates retention scheme was implemented, with the Council now retaining an element of the non-domestic rates income collected. The balance showing below reflects the Council's share of the Collection Fund balance at the end of the financial year.

2012/13 £000		2013/14 £000
11	Balance at 1 April	35
24	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	1,702
35	Balance at 31 March	1,737

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.

2012/13 £000		2013/14 £000
165	Balance at 1 April	173
8	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18
173	Balance at 31 March	191

23. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(1,936)	Net surplus/(deficit) from Operating Activities	(3,008)
	Adjusted for non cash items:	
2,355	Depreciation and Impairments	2,364
430	Interest and dividends received	(474)
420	Movement in pension liability	1,359
3,310	Movement in debtors/creditors	(2,504)
157	Other financing	(126)
4,736	Net Cash Flows from Operating Activities	(2,389)

24. Statement of Cash Flows – Investing Activities

2012/13 £000		2013/14 £000
(748)	Purchase of property, plant and equipment	(922)
(185,191)	Purchase of short-term and long-term investments	(165,149)
178,343	Proceeds from short-term and long-term investments	169,643
0	Other payments for investing activities	(349)
(7,596)	Net cash flows from investing activities	3,223

25. Statement of Cash Flows – Financing Activities

2012/13 £000		2013/14 £000
0	Cash receipts from short and long-term borrowing	0
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
(6)	Repayments of short and long-term borrowing	(1)
0	Other payments from financing activities	0
(6)	Net cash flows from financing activities	(1)

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 CIPFA Service Reporting Code of Practice 2013/14 (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 than 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;

2013/14										
Cabinet portfolios Income and Expenditure	Leader £000	Parking Services & ICT £000	Finance £000	Environment £000	Housing, Health, Wellbeing & Ind Living £000	Planning & Corp Development £000	Economic Development & Fixed Assets £000	Communications £0.00	Community Safety, Young People, Leisure & Culture £000	Total £000
Fees, charges & other service income	(43)	(2,989)	(375)	(2,180)	(1,880)	(799)	(643)	0	(684)	(9,593)
Government grants					(31,743)					(31,743)
Total Income	(43)	(2,989)	(375)	(2,180)	(33,623)	(799)	(643)	0	(684)	(41,336)
Employee expenses	305	1,088	2,051	2,614	2,981	1,752	226	149	533	11,699
Other service expenses	36	1,833	696	3,658	33,030	901	1,095	73	415	41,737
Support service recharges	0	0	0	0	0	0	0	0	0	0
Total Expenditure	341	2,921	2,747	6,272	36,011	2,653	1,321	222	948	53,436
Net Expenditure	298	(68)	2,372	4,092	2,388	1,854	678	222	264	12,100

2012/13										
Cabinet portfolios Income and Expenditure	Communications	Comm Safety & Young People	Finance & Resources	Environment	Corporate Governance	Health Wellbeing and Ind Living	Planning & Housing	Economic Development	Parks & Assets	Total
	£000	£000	£000	£000	£0	£000	£000	£000	£000	£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.

2012/13 £000		2013/14 £000
11,656	Net expenditure in the Cabinet portfolio analysis	12,100
2,355	Depreciation and impairments	2,365
139	Provisions for MMI and Property Search Fees	110
476	Capital Expenditure by statute	590
(398)	Capital receipts and grants received & used for financing	(487)
0	DCLG Refuse Project	(33)
0	Lottery fund and Bronzefield Expenditure	6
560	Finance lease debtor Income	560
8	Accumulated absences provision	18
(66)	Support service recharges	(69)
3	Expenditure between portfolio report and accounts closed	0
(287)	Bronzefield Commuted Sum	0
(257)	Revenue expenditure and grant income	(458)
32	Bridge Street	0
(11)	Investment Properties	14
14,210	Cost of Services in Comprehensive Income and Expenditure Statement	14,716

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.

2012/13 £000		2013/14 £000
11,656	Net Expenditure in the Cabinet Portfolio analysis	12,100
2,355	Depreciation	2,365
0	Capital Enhancements	0
8	Accumulated absences provision	18
3	Expenditure between portfolio report and accounts closed	0
(398)	Capital Receipts and grants used for financing	(487)
476	Capital Expenditure by Statute	590
139	Provision for MMI and Property Search Fees	110
(287)	Bronzefield Commuted Sum	0
32	Bridge Street	0
0	DCLG Refuse Project	(33)
0	Lottery and Bronzefield Expeniture	6
859	Net Pension Interest cost	1,438
1	Interest paid	0
(66)	Support service recharges	(69)
(257)	Revenue expenditure and grant income	(458)
(382)	Investment Interest Income	(474)
0	Income, Expenditure and change in fair value of investment properties	0
(740)	Recognised capital grants and contributions	(467)
(6,988)	Council tax	(6,577)
(3,902)	National non -domestic rates	(1,430)
(76)	Revenue support grant	(2,483)
(497)	Non service related government grants	(1,141)
1,936	(Surplus)/Deficit of Provision of Services	3,008

27. Members Allowances

The Council paid the following amounts to members of the Council during the year:

2012/13 £000		2013/14 £000
211	Allowances	212
2	Expenses	2
213	Total	214

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	112,422	0	0	0	112,422	18,098	130,520
Assistant Chief Executive	77,556	0	0	0	77,556	12,255	89,811
Assistant Chief Executive	74,293	0	0	0	74,293	11,712	86,005
Assistant Chief Executive	64,637	0	0	6,203	70,840	12,255	83,095
Head of Corporate Governance	68,746	0	0	0	68,746	10,575	79,321

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) were paid the following amounts:

Remuneration Band (inc Salary and Benefits)	Number	
	2012/13	2013/14
125,000 and above		
120,000 - 124,999		
115,000 - 119,999		
110,000 - 114,999	1	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		
75,000 - 79,999	1	1
70,000 - 74,999	1	2
65,000 - 69,999	3	3
60,000 - 64,999	2	3
55,000 - 59,999	2	2
50,000 - 54,999	3	2
	13	14

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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0-£20,000	5	3			5	3	48,088	6,752
£20,001-£40,000								
£40,001-£60,000								
£60,001-£80,000								
£80,001-£100,000								
£100,001-£150,000								
Total	5	3	0	0	5	3	48,088	6,752

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £6,752 (£48,088 in 2012/13) as set out above. Of this total £4,278 is payable to 1 officer from Community Safety. The remaining £2,474 is payable to 2 officer's from Independent Living.

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:

2012/13 £000		2013/14 £000
63	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	70
0	Fees payable to KPMG in respect of additional work	0
11	Fees payable to KPMG for the certification of grant claims and returns for the year	13
74	Total	83

30. Grant Income

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

2012/13 £000		2013/14 £000
	Taxation and Non Specific Grant Income	
3,902	Non Domestic Rates	1,430
76	Revenue Support Grant (RSG)	2,483
497	Other Revenue Grants	1,141
4,475	Total	5,054
	Credited to Services	
37,312	Housing Benefits	31,743
131	Non Domestic Rates	132
70	Other grants	87
37,513	Total	31,962

The new Business Rates retention scheme commenced in April 2013, which sees the Council share non-domestic rate income with Central Government and Surrey County Council. This revised scheme explains the reduction in non domestic rates income shown.

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 balance at the year end was £154,511 (2012/13 - £154,511) and the amounts applied during the year to finance expenditure are as follows:

2012/13 £000		2013/14 £000
	Capital Grants Receipts in Advance	
343	Specific Capital grant (SCG)	290
0	Other grants	0
168	Contributions	0
511	Total	290

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 16 and 19 above and details of cash received from government grants is set out in note 30 above.

Members of the Council have direct control over the Council's financial and operating policies. During 2013/14 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 2013/14 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:

2012/13 £000	CAPITAL FINANCING REQUIREMENT	2013/14 £000
0	Opening Capital Financing Requirement	0
	Capital investment	
715	Property, Plant and Equipment	922
0	Investment Properties	0
32	Intangible Assets	245
477	Revenue Expenditure Funded from Capital under Statute	890
1,224	Total Capital Investment	2,057
	Sources of Finance	
(634)	Capital Receipts	(1,019)
(511)	Government Grants and Contributions	(685)
(79)	Sums set aside from Revenue	(353)
0	Direct Revenue Contributions	0
(1,224)	Total Sources of Finance	(2,057)
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.

2012/13	CAPITAL EXPENDITURE AND FINANCING	2013/14
£000		£000
431	Housing	449
-	Improvement Grants	-
	Grants to Housing Associations	
431		449
	Leisure	
131	Parks and Recreation Grounds	122
-	Pool Covers	14
-	Loan to SLM	300
21	Fitness Kit	-
152		436
	Community care	
56	Day Centres	112
56		112
	Highways and Transportation	
73	Car Parks	-
73		-
	Environmental Services	
66	Refuse Collection & Recycling	262
36	Environmental Initiatives	192
102		454
	Other	
-	Stanwell CCTV	78
85	Computer Developments	333
279	Knowle Green	195
46	Lammas Sea Cadet	-
410		606
1,224	TOTAL CAPITAL EXPENDITURE	2,057
	Summary of Financing	
634	Capital Receipts	1,019
343	Specific Government Grants	290
168	Other Grants and Contributions	395
79	Revenue Reserves	353
1,224	TOTAL CAPITAL FINANCING	2,057

33. Leases

Council as lessee

Operating Leases

Expenditure on operating leases in 2013/14 was £888,672 (2012/13 £965,006)

Expenditure on an arrangement within the grounds maintenance contract which has been classified as an operating lease was valued at £116,035 in 2013/14 and £113,760 in 2012/13. 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:

2012/13 £000		2013/14 £000
222	Not later than one year	213
695	Later than one year and not later than five years	540
0	Later than five years	31
917	Total	784

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;

2012/13 £000		2013/14 £000
50	Not later than one year	55
41	Later than one year and not later than five years	52
119	Later and five years	194
210	Total	301

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 2013-14 £0 contingent rents were receivable by the Council (2012/13 £0).

Council as Lessor

Finance Leases

2012/13 £000		2013/14 £000
14,544	Finance lease debtor (net present value of minimum lease payments):	14,544
122,096	Unearned finance income	121,536
3,830	Unguaranteed residual value of property	3,830
140,470	Gross investments in the lease	139,910

Gross Investment in the Lease 31-Mar-13 £000	Gross Investment in the Lease 31-Mar-14 £000		Minimum Lease Payments 31-Mar-13 £000	Minimum Lease Payments 31-Mar-14 £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
137,670	137,110	Later than five years	133,840	133,280
140,470	139,910	Total	136,640	136,080

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 11 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances. There were impairment losses of £261,474 in 2013/14 (£83,975 in 2012/13).

35. 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.

Arrangements for the award of discretionary post- retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

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.

2012-13 £000		2013-14 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
	Service cost comprising:	
1,314	current service cost	1,753
	past service cost	
	(gain)/loss from settlements	
1,347	Financial and Investment Income and Expenditure	
	Net interest expense	1,437
2,661	Total Post-employment Benefits charged to the Surplus or Deficit on the provision of Services	3,190
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(5,923)	Return of plan assets (excluding the amount included in the net interest expense)	1,477
-	Actuarial gains and losses arising on changes in demographic assumptions	1,727
8,780	Actuarial gains and losses arising on changes in financial assumptions	177
(60)	Other	(1,645)
5,458	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	4,926
	Movement in Reserves Statement	
(2,661)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(3,190)
	Actual amount charged against the General Fund Balance for pensions in the year:	
1,753	Employer's contributions payable to scheme	1,832

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2012-13 £000		2013-14 £000
93,917	Present value of the defined benefit obligation	96,853
(61,926)	Fair value of plan assets	(61,767)
31,991	Sub-total	35,086
-	Other movements in the liability (asset)	-
31,991	Net liability arising from defined benefit obligation	35,086

Reconciliation of the Movements in the fair value of the scheme plan assets

2012-13 £000		2013-14 £000
54,959	Opening fair value of scheme assets	61,926
2,601	Interest income	2,753
	Remeasurement gain/ (loss):	
5,923	The return on plan assets, excluding the amount included in the net interest expense	(1,478)
-	Other	-
-	The effect of changes in foreign exchange rates	-
1,532	Contributions from employer	1,611
450	Contributions from employees into the scheme	483
(3,539)	Benefits paid	(3,528)
-	Other	-
61,926	Closing fair value of scheme assets	61,767

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2012-13 £000	Funded Liabilities: Local Government Pension Scheme (LGPS)	2013-14 £000
83,245	Opening balance at 1 April	93,917
1,314	Current service cost	1,753
3,948	Interest cost	4,190
450	Contributions from scheme participants	483
	Remeasurement (gain) and losses:	
	Actuarial gains/losses arising from changes in demographic assumptions	1,727
8,780	Actuarial gains/losses arising from changes in financial assumptions	177
(60)	Other	(1,645)
	Past service cost	
	Losses/(gains) on curtailment	
(221)	Liabilities assumed on entity combinations	(221)
(3,539)	Benefits paid	(3,528)
	Liabilities extinguished on settlements	
93,917	Closing balance at 31 March	96,853

Local Government Pension Scheme assets comprised:

2012-13 £000	Asset category	2013-14 £000
	Equity Securities:	
4,933.1	Consumer	5,210.5
4,416.8	Manufacturing	4,224.6
2,709.8	Energy and utilities	2,997.0
3,936.6	Financial institutions	4,030.9
2,109.0	Health and care	2,256.9
3,265.5	Information technology	3,359.6
-	Other	-
	Debt Securities:	
2,775.5	Corporate Bonds (investment grade)	2,359.5
52.6	Corporate Bonds (non-investment grade)	105.4
1,552.5	Government	1,419.1
342.6	Other	400.3
	Private Equity:	
2,201.4	All	2,347.9
	Real Estate:	
2,201.1	UK Property	1,315.1
757.1	Overseas Property	2,109.3
	Investment Funds and Unit Trusts:	
17,054.2	Equities	17,219.6
6,196.9	Bonds	5,537.3
-	Hedge Funds	-
-	Commodities	-
-	Infrastructure	-
5,823.8	Other	6,073.4
	Derivatives:	
-	Inflation	-
(7.6)	Interest Rate	4.4
(130.3)	Foreign Exchange	290.0
-	Other	-
	Cash and Cash Equivalents:	
1,735.3	All	507.1
61,926	Total assets	61,768

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 2014.

The principal assumptions used by the actuary have been:

2012/13		2013/14
	Long-term expected rate of return on assets in the scheme:	
%		%
4.50	Equity Investments	4.50
4.50	Bonds	4.50
4.50	Property	4.50
4.50	Cash	4.50
Years	Mortality assumptions:	Years
	Longevity at 65 for current pensioners:	
21.90	Men	22.50
24.00	Women	24.60
	Longevity at 65 for future pensioners:	
23.90	Men	24.50
25.90	Women	26.90
%	Other assumptions:	%
2.50	Rate of inflation	2.50
5.10	Rate of increase in salaries	3.90
2.80	Rate of increase in pensions	2.60
4.50	Rate of discounting scheme liabilities	4.10
25.00	Take-up of option to convert annual pension to retirement lump sum	25.00

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

Change in assumptions at 31 March 2014	Increase in Assumptions £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	2,906	
Rate of inflation (increase or decrease by 1%)		
Rate of increase in salaries (increase or decrease by 1%)	1,940	
Rate of increase in pensions (increase or decrease by 1%)	6,020	
Rate for discounting scheme liabilities (increase or decrease by 1%)		8,025

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

The scheme will need to take account of the national changes to the scheme under the public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and the other main existing public services schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £1,862,000 expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 16.5 years, 2013/14 (16.5 years 2012/13).

36. Contingent Liabilities

- 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. No specific provision has been made in the accounts for this.
- Several Property Search Companies are seeking refunds from local Councils in England and Wales in respect of fees paid to access land charges data. Claims have been made against the Council for alleged anti-competitive behaviour and a provision of £122k is included within the accounts.

37. Contingent Assets

The Council may be able to recover compound interest from HMRC for VAT repayments already received for sports and leisure activities in respect of the Fleming case. No specific provision has been made for this in the accounts.

38. Events after the Balance Sheet Date.

There are no post balance sheet events.

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.

Total 2012/13 £000		Business Rates 2013/14 £000	Council Tax 2013/14 £000	Total 2013/14 £000
	INCOME			
56,109	Council Tax Receivable		58,473	58,473
5,927	Transfers from General Fund: Council Tax Benefits			
44,449	Business Rates Receivable	40,455		40,455
0	Transitional Protection Payments Receivable	172		172
106,485		40,627	58,473	99,100
	Contribution towards previous year's Deficit			
0	Central Government	0		0
(8)	Spelthorne Borough Council	0	29	29
(53)	Surrey County Council	0	192	192
(9)	Surrey Police		34	34
(70)		0	255	255
	EXPENDITURE			
	Precepts, Demands and Shares			
44,029	Central Government	21,175		21,175
7,004	Spelthorne Borough Council	16,940	6,410	23,350
46,754	Surrey County Council	4,235	42,814	47,049
8,275	Surrey Police		7,579	7,579
106,062		42,350	56,803	99,153
	Charges to the Collection Fund			
491	Less: write offs of uncollectable amounts	177	97	274
(56)	Less: Increase / (Decrease) in Bad Debt Provision	98	84	182
0	Less: Increase / (Decrease) in Provision for Appeals	2,618		2,618
131	Less: Cost of Collection	132	0	132
0	Less: Disregarded Amounts	0		0
566		3,025	181	3,206
(213)	Surplus / (Deficit) arising during 2013/14	(4,748)	1,744	(3,004)
(97)	Surplus / (Deficit) brought forward 1st April	0	(310)	(310)
(310)	Surplus / (Deficit) carried forward 31st March	(4,748)	1,434	(3,314)

Council Tax

The Tax Base is the number of banded properties that the Council uses to set the Council Tax. It is the total number of properties in the borough weighted by reference to the Council Tax bands, which range from A to H. The Tax Base is calculated using the equivalent number of Band D dwellings.

Valuation Band	Number of Chargeable Dwellings	Ratio	Equivalent Band D dwellings
A	282	6/9	188
B	913	7/9	710
C	5,495	8/9	4,885
D	11,406	1	11,406
E	8,695	11/9	10,628
F	4,122	13/9	5,954
G	1,893	15/9	3,154
H	92	18/9	183
Total	32,898		37,108
Allowance for losses on collection and appeals			594
Council Tax Base			36,514

Non-Domestic Rates

The new Business Rates retention scheme commenced in April 2013, which sees the Council share non-domestic rate income with Central Government and Surrey County Council. Non-domestic rates receivable are based on local rateable values multiplied by a national non-domestic rate multiplier. The total non-domestic rateable value as at 31 March 2014 was £99,790,380 and the national non-domestic rate multiplier for 2013/14 was 0.471.

2013-14 Business Rates and Council Tax outturns

2013-14 saw the implementation of a new localised retention of business rates scheme under which part of the business rates are retained by the Council and the County Council to contribute towards their revenue budgets. In the first year of operation there were uncertainties as to the levels of provision which was required to be made for potential successful appeals which would then be backdated. The total provision raised at 31st March 2014 was £2,618,345 (included in the Collection Fund) and the Councils share of this liability is £1,046,338 (included in the Councils accounts). This provision is now in place and will give greater certainty for the next few years. Additionally some businesses came off the rating listing and a significant development which was completed in 2013-14 has yet to be added to the rating list by the Valuation Office. This resulted in a deficit of £4.7m on business rates in 2013-14. In contrast on council tax there was a surplus of £1.4m reflecting a better collection performance than was expected with the introduction of localised council tax support.

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 to 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 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

During 2013-14 the Council undertook an Local Government Association (LGA) Corporate Peer Challenge which involved an external team of experienced local government professionals (including a Leader from another borough council) reviewing the Council's arrangements covering

- Council's understanding of local context and priority setting
- Financial planning and viability
- Political and managerial leadership

- Governance and decision making
- Organisational capacity

.This provided positive feedback on what the Council is doing well and identified areas for improvement.

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 2013-15 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 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 2013 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 Overview and Scrutiny Committee.
- The Council engages with the public and translates the community's priorities into a Community Plan in conjunction with our partners. The objectives of Spelthorne Together are reviewed annually its annual conference each September

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 a wide variety of other methods to obtain feedback from the community. Recent examples include consultation on council tax support and the leisure facilities needs analysis.
- The Council is developing its use of social media to provide additional opportunities to communicate with its residents. In 2013-14 it launched an "Engage" app for smartphones to provide an additional means of communication with its residents.

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 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, Bribery 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

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 recent 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.

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. The Section 151 officer sits on the corporate management team in line with best practice.

- 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 2013/14 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;
- The Council has invested resource in both its key asset income generation projects designed to generate future income to help offset the impact of reducing revenue support grant and in its Staines-upon-Thames development programme designed both to support the Council's economic development priority and to generate income for the Council
- Managing risk in key financial service areas.

The LGA Peer review concluded that the Council has good financial arrangements and has recognised the nature of the financial challenge it faces and is taking sensible steps to respond to that challenge.

Effectiveness of Internal Audit

- The Council maintains an internal audit section, which operates to the standards set out in the "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 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. Following on from the LGA Peer Review the Council is refreshing its approach to performance management and will be creating a Performance Management Working Group. 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 Council's Corporate Risk Register is owned by the corporate management team which review it on a quarterly basis and by Cabinet which review it annually. The Audit Committee review the Corporate Register on a quarterly basis.

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.
- The Council continues to be an Investor in People employer with a further re-accreditation achieved in March 2013

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 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 was 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.

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 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 2013-14. 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

The LGA Corporate Peer Challenge provided useful feedback on the effectiveness of our governance arrangements and made some suggestions for consideration relating to overview and scrutiny.

Significant governance issues

Informed by the work of the Head of the Audit Partnership our opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit services during 2013/14 which is summarised in this Annual Audit 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.

The Corporate Risk Register has identified a few areas requiring improvement actions, these include:

- (a) Housing - There is a continual increase of households in bed and breakfast (with the added issue of overspend on the bed and breakfast budget) and the lack of resources to discharge this duty. Matters have been compounded further recently through planning enforcement against our main bed and breakfast provider resulting in 16 households having to be moved. There has been an associated increase of work with individual queries and those on their behalf from Councillors and the media. To try and mitigate this, an "Advisor" has been contracted to look at all options for the borough to invest in as well as look at good practice elsewhere. Cabinet are supportive of this approach. A report with recommendations including implementation of a Local Lettings Agency is due to be submitted to Cabinet. In addition corporate Management Team is supportive of quickly filling any posts which become vacant in the Housing Options team.
- (b) Emergency Planning - An internal review has been undertaken into response to major flooding with a set of recommendations that have been agreed by Cabinet. These are being progressed by the Risk and Resilience Manager. Spelthorne have been part of a multi-agency debrief to learn lessons and improve multi agency response via the Local Resilience Forum.
- (c) Project Management – There are currently 32 ongoing projects which the Council is committed to. It is important that the Council's Management Team ensures project documentation is completed so that the resource implications can be determined and agreed control processes adhered to. Management Team and Members will need to monitor the Council's capacity to deliver the current programme of projects. Proposals for new projects should be subject to full analysis as to whether they are aligned to the Council's priorities and how they are to be resourced.

- (d) Information Governance – Further work is required to progress the action plan to ensure information assets are identified and managed, to reduce the risks of data breaches, fines and reputational damage. The Head of Corporate Governance will now be attending Audit Committee in September 2014 to provide some background and plans to address this risk.
- (e) Resilience for key staff – Management Team are continuing to address and monitor critical areas where there are high levels of dependency on individual members of staff.
- (f) Performance Management – Additional work is being done to ensure a more effective performance management framework.
- (g) Grounds Maintenance – Internal Audit reported on the lack of horticultural expertise within the Council and the potential weakness in grounds maintenance contract management arrangements. The Head of Streetscene attended the last Audit Committee to explain how she is undertaking some training in order to help to address this gap.
- (h) Health and Safety - An inspection regime for parks and open spaces needs to be fully implemented to satisfy insurance requirements. This has not been fully implemented because of staff shortages. The Head of Streetscene and Head of Sustainability and Leisure are currently considering this matter.

The LGA Peer review made eight recommendations which are being incorporated into an action plan for the Council to address.

.....
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 2014 on pages 10 to 67. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of 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 Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing 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 Financial 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 2014 and of the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

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 68 to 76 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory forward for the financial year for which the financial statements are prepared is not consistent with the financial statements; 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.

We have nothing to report in respect of these matters.

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.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, 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 2014.

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

18th September 2014

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

A separate account maintained by the Council recording the amounts collected and distributed in relation to council tax and non-domestic rates.

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.

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.

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 a legal 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 discretionary 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.

PAYABLE

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

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.

RECEIVABLE

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

REDUCING BALANCE DEPRECIATION

Depreciation on an asset is charged at a higher percentage rate in the earlier years of an asset and the amount of depreciation reduces as the life of the asset progresses.

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 EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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.

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.

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.

Audit Committee

18 September 2014



Title	Corporate Risk Register		
Purpose of the report	To note		
Report Author	Head of Audit Partnership – Deanna Harris		
Cabinet Member	Councillor Tim Evans	Confidential	No
Corporate Priority	This item is not in the current list of Corporate priorities but still requires a Cabinet decision		
Cabinet Values	N/A		
Recommendations	That the Committee notes the report.		

1. Key issues

- 1.1 The Corporate Risk Register ensures key risks are identified, managed and monitored. Management Team has reviewed the Corporate Risk Register (**Appendix 1**).
- 1.2 Significant issues to report are:
- (a) **Housing** - There continues to be significant pressure on Housing Services. An “Advisor” has been contracted to look at all options for the borough to invest in as well as look at good practice elsewhere. Cabinet are supportive of this approach. A report with recommendations including implementation of a Local Lettings Agency has been submitted to Cabinet. In addition MAT is supportive of quickly filling any posts which become vacant in the Housing Options team.
 - (b) **Emergency Planning** - The Risk and Resilience Manager will be attending Audit Committee to update Members on recent developments.
 - (c) **Project Management** – There are currently 32 ongoing projects which the Council is committed to. It is important that the Council's Management Team ensures that projects are fully resourced, particularly at a time when another major programme (Towards a Sustainable Future) is being rolled out.
 - (d) **Information Governance** – Further work is required to progress the action plan to ensure information assets are identified and managed, to reduce the risks of data breaches, fines and reputational damage. The

Head of Corporate Governance will be attending Audit Committee to provide some background and plans to address this risk.

- (e) **Resilience for key staff** – Management Team are continuing to address and monitor critical areas where there are high levels of dependency on individual members of staff.
- (f) **Morale / loss of key staff** – Management Team will ensure that change management is effectively managed throughout the ‘Towards a Sustainable Future’ programme.

2. 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.

3. Financial implications

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

4. Other considerations

The Corporate Risk Register covers a wide range of risks and associated consequences including financial losses, failure in service delivery, health and safety incidents, and reputational damage.

5. Timetable for implementation

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 – 2014/15 QUARTER 2

This Register summarises significant risks faced by the Council in relation to achieving the objectives and priorities as set out in the Council's corporate plan. It sets out controls in place and identifies any further action needed to mitigate risks. Actions are assigned to appropriate officers with target dates for implementation.

Reviewed August 2014

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) / ONGOING MONITORING / REQUIRES MONITORING	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 is undertaken with all staff on joining	The SHE system has recently been upgraded and all risk assessments will need to be updated.	MAT/ All Service Heads	Ongoing monitoring	
	2. Uncertainty surrounding the financial /economic/other consequences of contaminated land	4	Legal duty to inspect land and prioritise action. A separate risk assessment addresses contractual, financial/resources and legal/regulatory risks, and this is reviewed regularly. Reports have been issued to Management Team and Cabinet outlining financial and other risks.	<i>The Contaminated Land Strategy will be reviewed in 2014.</i>	ACX (LO)*	September 2013 (O) September 2014 (R)	As programmed, the corporate contaminated land risk assessment is on target for being completed in September (TDWF).

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	3. Disaster- major in borough, e.g. flooding, resulting in significant strain on council services (eg homelessness).	4	Corporate Emergency Plan updated Oct 2013. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Yearly Borough Emergency Centre Plans. Incident management training and exercising. Updated Emergency Plan approved by Overview and Scrutiny November 2013.	<i>An internal review has been undertaken into response to major flooding with recommendations agreed by Cabinet. These are being progressed by Risk and Resilience Manager. Council has been part of a mutli agency debrief to learn lessons and improve multi agency response via the Local Resilience Forum. The corporate emergency plan is being updated as normal {no major changes required}.</i>	ACX (LB)/ RRM (NM)*	Ongoing monitoring	
	4. Failure to manage corporate and service performance / failure to meet Council objectives and targets (Performance Management)	3	The Corporate Plan should set out targets for the authority which should be monitored by Members and Management Team. Service performance should be monitored by Management Team. Individual performance should be monitored through the appraisal process. Flagship project performance is reported to Management Team and Members.	<i>A performance Performance Management Working Group has been established to improve monitoring arrangements.</i>	MAT / ACX LO	Requires Monitoring	The Performance Management Working Group is in the process of reviewing current service indicators, future reporting mechanisms and the reporting format and will be providing an update to Cabinet. An update on progress with this work will also be provided to the Audit Committee once these arrangements have been finalised.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	5. Failure to align service objectives to corporate aims and priorities / Failure to deliver services effectively due to poor service planning	3	The Corporate Planning process should set out clear a clear vision for the authority and specific targets. Some services have statutory responsibilities. Individual 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.	<i>Service Plans need to be completed for 2014/15</i>	Service Heads/ MAT	Requires Monitoring	Service Plans have been received for all services apart from Legal Services, which is currently undertaking an assessment of possible future partnership arrangements with Reigate and Banstead Borough Council.
	6. Failure of projects due to poor project management arrangements. Lack of resource and expertise to deliver and coordinate asset related/other projects whilst continuing to maintain services.	3	Project management arrangements are in place including process for project initiation, consideration of resources available to deliver, identification of project risks and progress reporting processes. Corporate Project team is in place. The Council's Management Team ensures project documentation is completed, resource implications assessed and agreed control processes adhered to. Project management team meets individual members of MAT on a regular quarterly basis to review management of projects.	<i>Asset Management is a corporate priority and many of the Council's projects are asset related including developments in Staines Town Centre and Knowle Green – this area will need to be reviewed due to limited resources in this area.</i>	MAT	To be agreed with Cabinet	MAT intend to review Asset Management structure as part of 'Towards a Sustainable Future' (TSF) programme
HoCS*				Requires Monitoring	32 projects are currently being tracked through the Project Office.		
HoS&L*				To be agreed	The Laleham Park project is currently being redefined to address changes to the project and a briefing paper is being prepared for the September cabinet as to the scope and future of this project. A number of projects are also expected to be identified following recommendations from the research work carried out by the Housing consultant. These will be around opportunities to increase the Council's temporary housing provision to cater for an expected increase in demand for social housing due to recent legislative changes.		

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
Orange			Staines upon Thames - The Head of Planning and Housing strategy has now been appointed full time as the Staines upon Thames regeneration manager with support from consultants.		Head of P&HS*	Requires Monitoring	5 work streams have been fully defined and documented. An advert for the Bridge St site has been issued. A sub-committee of the Cabinet has been established to oversee the progress of the programme.
			Towards a Sustainable Future - The Head of Customer Services is currently mapping out a programme for this challenging initiative. This will identify roles, responsibilities, key deadlines, financial implications and risks	<i>Management Team to consider the resource requirements and funding for the 'Towards a Sustainable Future' programme. They will appoint a Programme Manager to oversee this fundamental review of the Council.</i>	MAT	Key dates to be agreed	<i>MAT to appoint a programme manager and project managers for the various workstreams. They will identify roles, responsibilities, key deadlines, financial implications and risks for the authority in accordance with the Council's project management policies. The project team are currently reviewing document retention and electronic data management systems.</i>
Red	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 March 2014.	<i>Information Governance Group developing action plan to ensure information assets are identified and managed.</i>	Head of CG *	Actions outstanding	The Information Governance Group has developed an action plan to ensure information assets are identified and managed. In the absence of dedicated resources the progress made to date is limited and the associated risks have been highlighted to management. The Head of Corporate Governance will be attending Audit Committee to provide an update.
Green				<i>The Council's project team is currently considering the document retention policy and alternative electronic document management systems which will help to strengthen info security.</i>	HoCS*/MAT	31 March 15 (O)	MAT will consider options from the work undertaken by the project team.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	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. Arrangements are now in place to ensure that required work groups are cleared to the Baseline Personnel Security Standard with additional employment checks undertaken.		Head of ICT *	Ongoing monitoring	
			CoCo re-accreditation achieved in December 2013. The Cabinet Office has increased security requirements due to the implementation of the Public Service Network (PSN).	<i>A further submission has to be made by November 2014 where any outstanding issues will have to have been addressed.</i>	Head of ICT *	30 November 2014	
	There is a risk that HR will be unable to complete the work for the 2014 BPSS checks in time for the 2014 CoCo submission date.		ICT/Human Resources liaison and head of service verification that GCSX (Government Connect Secure Xtranet) mailboxes are required has commenced.		Head of HR	31 March 2015	GCSX requirements have been reviewed and have now started to go through the BPSS check process. Extra references being sought/identity documents checked and Disclosure Scotland checks applied for currently on track.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	9. Lack of business continuity planning to cover loss of building, equipment, ICT or staff - leading to loss or disruption to services	3	Business Continuity (BC) Policy in place. The BC Forum oversees progress of bc planning. All Services should have up to date and tested BC Plans. Business Impact Assessments are complete. These identify priority services, resources required for their continuation and time frame. 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. Live loss and denial of access exercise for Knowle Green took place Sept 2013.Improvements have been made to telephony resilience. ICT disaster recovery test achieved.		Service Heads/MAT/RRM *	Ongoing monitoring	The Council's business continuity arrangements have been tested in the 2014 flooding when services were maintained despite some difficulties for staff getting to work and the need to divert staff to deal with flood issues. The Business Continuity group met to discuss updates and agreed a number of actions which are being progressed.
	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. Service Heads should review arrangements as part of the service planning process. In some cases resilience may be provided from other local authorities or other organisations.	MAT will be reviewing structures as part of the budget saving exercise, and consideration will be given to resilience and succession planning arrangements.	Service Heads/ MAT	Requires Monitoring	MAT and Heads of Service have identified and addressed resilience issues in a number of service areas including: Accountancy, Customer Services, Asset Management, Housing Options, Economic Development. The Council's approach to flexible and remote working helps mitigate resilience issues.

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	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. Staff have access to counselling via Occupational Health. If resources cannot be enhanced, services will have to prioritise work to resources available.	<i>Members and Management Team will need to keep resourcing levels under review, particularly the impact of new projects and any statutory obligations on service/project delivery.</i>	Service Heads/ MAT	Requires Monitoring	MAT maintaining under review Towards a Sustainable Future (TSF) should help to address service levels/requirements and capacity issues
	12. Low morale as a result of increasing service demand, lack of staff & finance, org changes, uncertainty etc.	3	There are a range of employment arrangements in place including recruitment and selection, pay and rewards, training and development. Other measures exist such as Change Management process clear communications, performance	<i>1: Management Team to keep under review, particularly in light of 'Towards a Sustainable Future'.</i>	MAT	Requires Monitoring	

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	Increased risk of losing expertise and impact on services. The current 'Towards a Sustainable Future' programme involving service review, alternative service delivery models, financial savings and office moves will lead to concerns in some areas.		management systems, appraisals, one to one's, team meetings, performance clinics, staff meetings. A tripartite pay group is meeting regularly to discuss officer pay.	2. A peer review took place January 2014 and an action plan is being developed.	ACX LO	TBA	A draft action plan has produced by Management Team in consultation with the Leader. The key elements of the action plan are summarised in the conclusion of the Annual Governance Statement on the agenda of the September Audit Committee.
	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. Further procurement training is to take place in October 2014. Performance measures and contractual safeguards in place. Development of the e-procurement system continues and further contracts continue to be sourced with this solution which offers significant time savings and efficiencies for staff in Legal. Specification writing training has taken place.	1. Procurement, contract management and asset management expertise is limited across the authority and this is to be reviewed under the TSF programme.	MAT	Ongoing monitoring	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. MAT will be reviewing through TSF.
2. 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)*	Ongoing monitoring	Accountancy have put in place arrangements to monitor on a regular basis.	
3. There is a lack of horticultural expertise within Streetscene and therefore a risk that the Grounds Maintenance contract will not be effectively managed.				ACX (LB)	Requires Monitoring	The Head of Streetscene has enrolled with a distance learning provider to take the RHS level 2 diploma exam - in the meantime the authority has no experienced and dedicated resource.	

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
				<p>4. MAT will monitor the appointment of consultants and contractors through for the Council's projects including Town Centre, Knowle Green and other initiatives to ensure full compliance with governance requirements</p>	MAT	Requires Monitoring	
	<p>14.1 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.</p>	3	<p>Service Heads/ MAT/Members are aware of risks. 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 if 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 £1.5m of outstanding Housing Benefit overpayment debt which is currently in the Council's accounts. The bad debt provision has been increased in 2014/15. Cabinet has received updates on Welfare Reforms. This includes a suggested approach to the use of discretionary housing payments. Officers and A2D have been working with families affected by the benefit cap.</p>	<p>1. Service Heads/MAT to monitor staffing and other resource implications as appropriate.</p>	MAT/Joint Heads of H & IL*	Requires Monitoring	<p>There is a continual increase of households in bed and breakfast (with the added issue of overspend on the bed and breakfast budget) and the lack of resources to discharge duty. Matters have been compounded further through planning enforcement against the main bed and breakfast provider resulting in 16 households having to be moved. There has been an associated increase of work with individual queries and those on their behalf from Councillors and the media. To try and mitigate this an "Advisor" has been contracted to look at all options for the borough to invest in as well as look at good practice elsewhere. Cabinet are supportive of this approach. A report with recommendations including implementation of a Local Lettings Agency is due to be submitted to Cabinet. In addition MAT are supportive of quickly filling any posts which become vacant in the Housing Options team.</p>

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	14.2 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 significant number of small council tax debts, which are difficult and time consuming to recover, impacting on resources.	<i>1. Service Heads/MAT to monitor staffing and other resource implications as appropriate.</i>	ACX (TC)	Ongoing management	CTS claimants have a lower collection rate of 32.8% (24.9%) and recovery notices continue to increase with a 16% increase in notices. Hardship applications are continuing as recovery progresses and the recovery policy has been deferred until September 14
	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	Ongoing monitoring	
	16. Uncertainty over economic growth and supplier failure, impacting on: • Delivery of contracts and services • Business Rate income. SBC now bears a significant share of any losses on collection.	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners that the authority engages with. Recovery and inspection of business properties is being strengthened to maximise collection/minimise losses for the Council	<i>Impact of new Business Rate arrangements on Council finances is under ongoing review.</i>	ACX (TC) *	Ongoing monitoring	
An Economic Development Strategy has been prepared after consultation with various external bodies. Communication of the vision, proposed actions and measures of success is taking place.			<i>Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review.</i>	ACX (TC) * CS & EDO*	Ongoing monitoring	LGA funded adviser produced 3 reports on Key Account Management, Inward Investment and Visitor Numbers, with a number of recommendations having resourcing implications. These will be considered as part of 15-16 budget process	

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	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*	Ongoing monitoring	The budget for a temporary Human Resources Officer has been secured until the end of March 2015 to help cover the professional HR workload. Professional Human Resources staff keep up to date with changes to employment and pensions legislation and report to Management Team and Members where changes are required
	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 updated its safeguarding policies and procedures. 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. The Children's Safeguarding and Adult at Risk Strategies were approved by Cabinet October 2013. From 2015 the Council will have statutory responsibility for safeguarding adults.		ACX (LB)/LSM*	Ongoing monitoring	
	19. Service delivery and planning difficulties due to reduction in Revenue Support Grant - 30 % reduction in spending / increase in income	3	Long term strategic/financial planning. Corporate Plan / priorities reviewed. Member engagement 'Towards a Sustainable Future' programme in place	<i>Towards a sustainable future programme to be delivered</i>	MAT	To be agreed with Cabinet	
<i>Identify alternative service delivery models</i>				Service Heads	30-Sep-14		

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	20. 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	Ongoing monitoring	
	21. 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) *	Ongoing monitoring	The Council did better than budget by £129k for 2013-14. Outturn achieving an average rate of return of 5.12% on our core investment portfolio
	22. 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 and leaflet issued. Implications of Bribery Act (July 2010) considered by services (raised in Fraud Awareness training). Various policies and procedures such as Financial Regulations and Contract Standing Orders, management checks, segregation of duties, reconciliation processes for financial systems and IT Security measures.		Service Heads/ MAT	Ongoing monitoring	A joint bid with Surrey County Council and a number of borough councils has been submitted to the Department for Communities and Local Government for fraud funding to assist in the detection and prevention of fraud.




RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
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***KEY TO OFFICERS**

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

HoP&HS - Head of Planning and Housing Strategy, Heather Morgan
 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

***KEY TO RAG RATING**

 Actions outstanding
 Partially actioned/Requires monitoring
 Completed/Ongoing monitoring

***KEY TO TARGET DATES**

* O = Original target date for assigned action
 * R = Revised target date for assigned action

Audit Committee

18 September 2014



Title	Effectiveness of the system of Internal Audit		
Purpose of the report	To note		
Report Author	Head of Audit Partnership - Deanna Harris		
Cabinet Member	Councillor Tim Evans	Confidential	No
Corporate Priority	N/A		
Cabinet Values	Accountability		
Recommendations	The Audit Committee is asked to note the report.		

1. Key issues

- 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 This review takes into consideration:
 - (a) **Statutory requirements for Internal Audit**
 - (b) **Compliance with the Public Sector Internal Audit Standards**
 - (c) **External Audit assessment**
 - (d) **Internal Audit output / outcomes - 2013/14**
 - (e) **Improvement plan – 2014/15**
- 1.3 Statutory requirements
- 1.4 Aims and objectives for Internal Audit 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 in each financial year and is approved annually by the Audit Committee in March. Actual work undertaken is reported at Audit Committee meetings in December and June.
- 1.5 Compliance with Public Sector Internal Audit Standards
- 1.6 The Public Internal Audit Standards define the way in which the Internal Audit service should undertake its functions and also set out its organisational status.
- 1.7 The implications of the new standards were reported to the Audit Committee in March 2013 and Members agreed a revised Audit Charter to reflect new requirements in June 2013.

- 1.8 All Internal Audit staff have signed up to a Code of Ethics based on the Public Sector Internal Audit Standards.
- 1.9 The revised Internal Audit Manual ensures all practices are aligned to the Public Sector Internal Audit Standards.
- 1.10 External audit assessment
- 1.11 External audit assess the work of Internal Audit annually, although they are no longer allowed to use Internal Audit work to inform their own opinions. No issues of concern were raised by external audit in 2013/14.
- 1.12 Internal Audit output / outcomes – 2013/14
- 1.13 The primary purpose (and outcome) of Internal Audit is to provide management and Members with assurance that the Council's key risks are being properly managed, and to advise on enhancing control where necessary.
- 1.14 The Annual Audit report presented to the June 2014 meeting of the Audit Committee sets out audit work undertaken during 2013/14.
- 1.15 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.
- 1.16 The audit partnership with Elmbridge continues to deliver savings, efficiencies and improved resilience. Auditors have worked across the two sites, information has been shared and joint training undertaken.
- 1.17 The development of partnership working continued with the sale of ICT expertise to Woking and Elmbridge.
- 1.18 In addition to fulfilling its statutory functions, Internal Audit::
- (a) Supported management in a number of investigations during the year.
 - (b) Provided advice to managers/internal working groups aimed at improving risk management and increased control.
- 1.19 Audit performance is managed through the Council's performance management framework. Performance reviews are carried out annually, service targets are monitored and an appraisal system is in place for Audit staff.
- 1.20 The role of the Audit Committee continued to develop particularly in the monitoring of outstanding actions relating to corporate risks.

2. IMPROVEMENT PLAN 2014/15

- 2.1 The Council's 'Towards a sustainable future' initiative will require all services to review their service delivery models. Internal Audit will be considering options in conjunction with the Council's Section 151 officer (ACX – TC).
- 2.2 Internal Audit will continue to review emerging corporate risks. This will include asset related projects and service reviews arising from 'Towards a sustainable future'.
- 2.3 Internal Audit will continue to develop a programme of fraud risk reduction. A joint bid with Surrey County Council and other boroughs has recently been

submitted to the Department for Communities and Local Government (DCLG) for fraud funding to provide resources to detect and prevent fraud across the authority's services.

3. Options analysis and proposal

3.1 N/A

4. Financial implications

4.1 N/A

5. Other considerations

5.1 N/A

6. Timetable for implementation

6.1 N/A

Background papers: There are none

Appendices: There are none

Audit Committee

18 September 2014



Title	ANNUAL GOVERNANCE STATEMENT 2013-14		
Purpose of the report	To make a decision		
Report Author	Chief Finance Officer		
Cabinet Member	Councillor Tim Evans	Confidential	No
Corporate Priority	Value for money Council		
Cabinet Values	Accountability		
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. Key issues

- 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. The Annual Governance Statement (AGS) 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.
- 1.3 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 2013/14 financial year.
- 1.4 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
- 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.

1.5 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:

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

1.6 An officer working group of the Head of Audit Services, Head of Corporate Governance and Head of Finance and Resources 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.

1.7 The sources of assurance include:

- Published documents (e.g. Constitution)

- Corporate management team 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

- 1.8 In undertaking the review and completing the Annual Governance Review all of the above sources of assurance have been taken into consideration. Additionally this year's review has been informed by the feedback received from the Local Government Association Peer Review of the Council.
- 1.9 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 2013/14 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.
- 1.10 It is important the actions identified with regard to the control issues are taken forward.

2. Options analysis and proposal

- 2.1 It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2010/11.

3. Financial implications

- 3.1 There are none

4. Other considerations

- 4.1 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 Timetable for implementation

Timetable for implementation

- 5.1 Not applicable

Background papers: None

Appendices: 1- Annual Governance Statement

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 to 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 2014 and up to the date of approval of the statement of accounts.

The Governance Framework

During 2013-14 the Council undertook an Local Government Association (LGA) Corporate Peer Challenge which involved an external team of experienced local government professionals (including a Leader from another borough council) reviewing the Council's arrangements covering

- Council's understanding of local context and priority setting
- Financial planning and viability
- Political and managerial leadership
- Governance and decision making
- Organisational capacity

.This provided positive feedback on what the Council is doing well and identified areas for improvement.

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 2013-15 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 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 2013 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 Overview and Scrutiny Committee.
- The Council engages with the public and translates the community's priorities into a Community Plan in conjunction with our partners. The objectives of Spelthorne Together are reviewed annually its annual conference each September

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 a wide variety of other methods to obtain feedback from the community. Recent examples include consultation on council tax support and the leisure facilities needs analysis.
- The Council is developing its use of social media to provide additional opportunities to communicate with its residents. In 2013-14 it launched an

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“Engage” app for smartphones to provide an additional means of communication with its residents.

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 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, Bribery 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

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 recent 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

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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.

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. The Section 151 officer sits on the corporate management team in line with best practice.
- 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 2013/14 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;
- The Council has invested resource in both its key asset income generation projects designed to generate future income to help offset the impact of reducing revenue support grant and in its Staines-upon-Thames development programme designed both to support the Council's economic development priority and to generate income for the Council
- Managing risk in key financial service areas.

The LGA Peer review concluded that the Council has good financial arrangements and has recognised the nature of the financial challenge it faces and is taking sensible steps to respond to that challenge.

Effectiveness of Internal Audit

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- The Council maintains an internal audit section, which operates to the standards set out in the “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 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. Following on from the LGA Peer Review the Council is refreshing its approach to performance management and will be creating a Performance Management Working Group 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 Council's Corporate Risk Register is owned by the corporate management team which review it on a quarterly basis and by Cabinet which review it annually. The Audit Committee review the Corporate Register on a quarterly basis.

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.
- The Council continues to be an Investor in People employer with a further re-accreditation achieved in March 2013

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 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 was 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 2013-14. 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

The LGA Corporate Peer Challenge provided useful feedback on the effectiveness of our governance arrangements and made some suggestions for consideration relating to overview and scrutiny.

Significant governance issues

Informed by the work of the Head of the Audit Partnership our opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit services during 2013/14 which is summarised in this Annual Audit 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.

The Corporate Risk Register has identified a few areas requiring improvement actions, these include:

- (a) Housing - There is a continual increase of households in bed and breakfast (with the added issue of overspend on the bed and breakfast budget) and the lack of resources to discharge this duty. Matters have been compounded further recently through planning enforcement against our main bed and breakfast provider resulting in 16 households having to be moved. There has been an associated increase of work with individual queries and those on their behalf from Councillors and the media. To try and mitigate this, an "Advisor" has been contracted to look at all options for the borough to invest in as well as look at good practice elsewhere. Cabinet are supportive of this approach. A report with recommendations including implementation of a Local Lettings Agency is due to be submitted to Cabinet. In addition corporate Management Team is supportive of quickly filling any posts which become vacant in the Housing Options team.
- (b) Emergency Planning - An internal review has been undertaken into response to major flooding with a set of recommendations that have been agreed by Cabinet. These are being progressed by the Risk and Resilience Manager. Spelthorne have been part of a multi-agency debrief to learn lessons and improve multi agency response via the Local Resilience Forum.
- (c) Project Management – There are currently 32 ongoing projects which the Council is committed to. It is important that the Council's Management Team ensures project documentation is completed so that the resource implications can be determined and agreed control processes adhered to. Management Team and Members will need to monitor the Council's capacity to deliver the current programme of projects. Proposals for new projects should be subject to full analysis as to whether they are aligned to the Council's priorities and how they are to be resourced.
- (d) Information Governance – Further work is required to progress the action plan to ensure information assets are identified and managed, to reduce the risks of data breaches, fines and reputational damage. The Head of Corporate Governance will now be attending Audit Committee in September 2014 to provide some background and plans to address this risk.
- (e) Resilience for key staff – Management Team are continuing to address and monitor critical areas where there are high levels of dependency on individual members of staff.
- (f) Performance Management – Additional work is being done to ensure a more effective performance management framework.
- (g) Grounds Maintenance – Internal Audit reported on the lack of horticultural expertise within the Council and the potential weakness in grounds maintenance contract management arrangements. The Head of Streetscene attended the last Audit Committee to explain how she is undertaking some training in order to help to address this gap.
- (h) Health and Safety - An inspection regime for parks and open spaces needs to be fully implemented to satisfy insurance requirements. This has not been fully implemented because of staff shortages. The Head of Streetscene and Head of Sustainability and Leisure are currently considering this matter.

The LGA Peer review made eight recommendations which are being incorporated into an action plan for the Council to address. To summarise the recommendations include:

- More informal meetings of Cabinet and Management Team to focus on non-operational issues – additional support being put in to facilitate “top team” working
- Establish cabinet role profiles to clarify what is expected of councillors, cabinet members and officers – draft document setting out profiles has been produced
- Councillor ‘back to the floor days’ or similar initiatives to help councillors and officers gain a mutual understanding of each other’s work and to help rebuild trust and respect between officers and councillors - Cabinet members to be offered opportunity to spend a ‘back to the floor’ (BTTF) day with services within their portfolios
- Set a timetable and methodology to create the appropriate organisational structure before 2016 to achieve agreed priorities – as part of the “Towards a Sustainable Future” programme announced in July in parallel with looking at new delivery models the organisational structure will be reviewed with a view to align more closely with corporate priorities
- Capitalise on external support available with respect to the latent support it has from external organisations. Business partners, voluntary sector and other public services all expressed a desire to work collaboratively with the Council - . Develop scheme for senior staff ‘buddies’ with businesses, voluntary sector organisations and residents’ associations. This will be linked to recommendations from Economic Advisor re ‘key account management which will be considered as part of the 2015-16 budget process
- Be realistic about priority delivery and concentrate on those projects which can be clearly seen to be most deliverable and viable- Residents survey to be undertaken in autumn 2014. Council will take into account residents’ views together with income generation priorities to develop ranking system for projects.
- Consider member development options available and further support which might be sought from peer colleagues and the regional LGA Principal Adviser:- LGA to facilitate action plan meeting for member development; Member development programme to be developed to identify:
 - a. Any immediate needs for Cabinet
 - b. Induction training for all new Councillors from May 2015 (LGA to assist)
 - c. A programme of continuous development for all Members post-2015 elections

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- Consider making an opposition councillor the chair of scrutiny: This is normal practice in many Councils- this is not being progressed
- Additional item based on discussions during Peer Review process Set up Performance Management Group to oversee progress with the Corporate Plan and Individual services/KPIs and report into Cabinet- first meeting took place in August 2014

.....
Cllr Robert Watts
Leader of the Council

.....
Roberto Tambini
Chief Executive

WORK PROGRAMME 2014 – 2015

AUDIT COMMITTEE – 18 SEPTEMBER 2014

Resolution Required

1. Work Programme

- 1.1 This report covers the Work Programme for the remaining 2014/15 municipal year.
- 1.2 The Committee's terms of reference are set out at the front of the agenda.

2. Current Work Programme

- 2.2 Further meetings of this Committee have been scheduled in the Council's Diary for 2014 -15 on the following dates:-
- 18 September 2014
 - 11 December 2014
 - 26 March 2015

- 2.4 Details of the Work Programme for the remainder of the year are as follows:

18 September 2014		
External Audit report on Audit and Statement of Accounts	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate Risk and Resilience Manager – Emergency Planning	Updates as requested by Audit Committee
Report on the Effectiveness of the System of Internal Audit	Head of Audit Services	Report
Annual Governance Statement	Chief Finance Officer	Report
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

11 December 2014		
External Audit Annual Audit Letter	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate Head of Corporate Governance – Information Governance Assistant Chief Executive, Lee O'Neil – Performance Management	Updates as requested by Audit Committee
Internal Audit Interim Report	Head of Audit Services	Report
Anti-fraud, bribery and corruption Strategy	Head of Audit Services	Review
Confidential Reporting Code	Head of Audit Services	Review
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

26 March 2015		
External Audit Plan	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates as requested by Audit Committee
Internal Audit Annual Plan	Head of Audit Services	Report
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

- 2.6 Any topics identified during consideration of the business at this meeting, will need to be included in the above Work Programme.
- 2.7 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.
- 2.8 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.
- 2.9 Managers may be required to attend the Committee, to explain why they have not implemented the recommendations of the Head of Audit Services. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate.

3. Resolution

The 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

Report Author: Samuel Nicholls, Committee Manager (01784) 446240