



Spelthorne Borough Council

Statement of Accounts 2015-2016

T Collier
Chief Finance Officer

Financial Statements and Annual Report

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Explanatory Foreword

By the Chief Finance Officer

The financial year 2015-16 was another challenging financial year for local government with further reductions in revenue support grant. Despite the impact of the localised council tax support regime commencing in April 2014 the Council broadly maintained collection rates at the same level as for the previous year achieving 98.5% for council tax.

Whilst the national economy was recovering in 2015-16, the Council faced further funding pressures and service pressures in areas such as homelessness. Despite these it is pleasing to see that the Council outturn was within budget.

The changes the Council made to its investment strategy back in 2012-13 continued to bear fruit in 2015-16, with the diversified policy resulting in £9.5m of pooled funds (backed by equities, assets or corporate bonds) returning on average just under 5% and making a £700k capital appreciation since inception.

The Statement of Accounts is presented in accordance with the Code of Accounting Practice on Local Authority Accounting in the United Kingdom 2015-16 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 2015-16 on the provision of services (£2.816m) shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The surplus/deficit figures are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes.

The net decrease before transfers to/from earmarked reserves is £9k. This is the statutory General Fund balance before any discretionary transfers to or from earmarked reserves. The net decrease after transfers to/from earmarked reserves is £71k.

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 surplus on the Total Other Comprehensive Income and Expenditure Statement of £2.369m reflects remeasurement of the net defined benefit liability relating to the Council's pension liabilities of £5.171m and available for sale fixed assets of £400k plus the revaluation of property, plant and equipment assets of £414k.

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 (£39.736m) 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 2016 totalling £14.552m) , 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. 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 2016 totalling £25.184m). 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 inflows arising from operating activities £4.409m 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** (pages 71-72). 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 2015-16 was set at £182.44 per Band D property (a 1.94% increase on the previous year) after taking account of a transfer of £562k from reserves and a transfer of £266k out of the Collection Fund following higher than expected collection rates for Council Tax during the previous year. 2015-16 saw the continued development of the localised retention of business rates scheme introduced in 2013-14, under which part of the business rates are retained by the Council and the County Council to

contribute towards their revenue budgets. The changes to the business rates appeals system resulted in continued uncertainties as to the levels of provision required to be made for potential successful appeals which would then be backdated. Spelthorne made a full provision of £1.816m for 2015/16, a decrease of £0.476m from 2014/15. This provision will give greater certainty for the next few years as the scheme continues to develop. The impact of this appeals provision has contributed to a business rates deficit of £1.031m in 2015-16. On council tax there was a deficit of £0.837m, mainly due to adjustments to allocate surpluses accumulated in previous financial years.

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 2015-16 was £2.175m and a breakdown of the schemes making up this spend can be found in note 32 (page 62). The following statement shows the total gross capital expenditure for the year and how it has been financed.

	£000
Total Capital Expenditure	2,175
Financed by:	
Capital Receipts	782
Specific Government Grants	348
Other Grants and Contributions	184
Revenue Reserves	861
Total Capital Financing	2,175

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 expenditure and resources are as follows:

Future Capital Investment Plans and Resources	Estimate 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000	Estimate 2018/19 £000
Capital Programme				
Resources available:	16,740	691	691	642
Capital Receipts	16,455	406	406	357
Capital Grants/Contributions	285	285	285	285
	16,740	691	691	642

Capital receipts also generate investment income but in the current low interest rate environment investment returns are relatively 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 65 to 70)

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 2016, showing a deficit of £34.768m for this Council, which represents a £3.806m decrease relative to 2014-15. This largely reflects:

- The deficit has decreased due to a number of factors including an increase in the current and past service costs which have been offset by changes in the financial assumptions used by the actuary.
- 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 fund 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 £180k in each year between 2015-16 and 2017-18. The liabilities of £34.768m 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 2016 had no long term borrowing. However, it is likely to undertake prudential borrowing in the future to support housing and economic regeneration projects.

Provisions

The Business Rates Retention system was introduced from 1st April 2013 under which part of the business rates collected are retained by the Council. There was 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 £2,292m was made in 2014/15 which has been reduced in 2015/16 to £1,816m to reflect the possible impact of outstanding appeals which are successful.

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.

Comparison of 2015/16 Actual Revenue Expenditure to Budget			
	Budget 2015-16	Actual Outturn	Variance Actual to Budget
	£000	£000	£000
Gross Expenditure	55,372	56,187	815
Gross Income	(41,061)	(42,681)	(1,620)
Net Service Expenditure	14,311	13,506	(805)
Interest on balances	(635)	(597)	38
Transfers (from)/ to reserves	(531)	0	531
			0
Budget Requirement	13,145	12,909	(236)
Financed by:			
Non-service related Grants	1,564	1,570	6
Revenue Support Grant	1,331	1,281	(50)
Non-domestic rates from national pool	3,056	2,864	(192)
Precept on Collection Fund	7,194	7,194	0

The above analysis covers revenue expenditure and income only and is not directly comparable with the segmental analysis on page 30 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 2015-16 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 certainty that from 2017-18 it will cease to receive general Revenue Support Funding from central Government.

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 2015-16 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. . The Council is exploring opportunities for more fundamental sharing of ICT services.
 - 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.
 - Continuing to diversify the Council's investment portfolio and seek to maximise investment returns whilst balancing risk.
 - Investing in initiatives to mitigate some of the homelessness pressures on the Council's revenue budget
 - 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 2016-17 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 2016-17 budget than has been the case in recent years.

The Council will evaluate the impact of the decision in June 2016 for UK to move towards leaving the European Union on its budget strategy.

Summary

The next few years will continue to be extremely challenging. The Council was impacted 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 has been reduced, although with the economy now improving this is changing.

The Council will in future undertake prudential borrowing to support schemes which bring benefits for the Borough and deliver income streams on ongoing revenue savings. A balanced budget was set for 2015-16 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, therefore the Council has introduced a new programme entitled towards a sustainable future and these reserves will be used in a targeted way to pump prime income generation projects along with a number of other strategies which have been developed as part of the Towards a Sustainable Future programme 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 looking at the way it offers services. By pursuing these strategies we are confident that we can ensure that Spelthorne Borough Council has a sustainable financial future. It should be noted that the outturn for 2015-16 meant that the Council was able to avoid drawing down on its revenue reserves.

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

Following the EU referendum in June 2016 and the yes vote by the United Kingdom to leave the EU, the impact on the authority is uncertain at the present time.

The accounts were authorised for issue by Mr T Collier, Chief Finance Officer on 29 September 2016 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 2016.

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: 29th September 2016

Councillor Mary Madams
Chair of Audit Committee

Date: 29th September 2016

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.

2015/16	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 2015	1,966	10,625	1,181	551	14,323	23,043	37,366
Movement in Reserves during the year					0		
Surplus/(deficit) on Provision of Services	(2,816)	0	0	0	(2,816)	0	(2,816)
Other Comprehensive Income and Expenditure	0	0	0	0	0	5,186	5,186
Total Comprehensive Income and Expenditure	(2,816)	0	0	0	(2,816)	5,186	2,370
Adjustments between accounting basis and funding basis under regulation (Note 7)	2,825	0	267	(48)	3,044	(3,044)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	9	0	267	(48)	228	2,142	2,370
Transfer from/(to) Earmarked Reserves (Note 8)	(80)	80	0	0	0	0	0
Increase/(Decrease) on 2015/16	(71)	80	267	(48)	228	2,142	2,370
Balance carried forward as at 31 March 2016	1,895	10,705	1,448	503	14,551	25,185	39,736

Movement in Reserves Statement Prior Year Comparatives

2014/15	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 2014	2,528	12,126	942	502	16,098	18,675	34,773
Movement in Reserves during the year							
Surplus/(deficit) on Provision of Services	(5,016)	0	0	0	(5,016)	0	(5,016)
Other Comprehensive Income and Expenditure	0	0	0	0	0	7,609	7,609
Total Comprehensive Income and Expenditure	(5,016)	0	0	0	(5,016)	7,609	2,593
Adjustments between accounting basis and funding basis under regulation (Note 7)	2,953	0	239	49	3,241	(3,241)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(2,063)	0	239	49	(1,775)	4,368	2,593
Transfer from/(to) Earmarked Reserves (Note 8)	1,501	(1,501)	0	0	0	0	0
Increase/(Decrease) on 2014/15	(562)	(1,501)	239	49	(1,775)	4,368	2,593
Balance carried forward as at 31 March 2015	1,966	10,625	1,181	551	14,323	23,043	37,366

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.

2014/15		2015/16		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,794	Central services to the public	5,382	1,770	3,612
2,651	Cultural related services	2,923	1,025	1,898
6,064	Environmental and regulatory service	8,468	2,709	5,759
908	Planning services	1,673	536	1,137
(71)	Highways and transportation services	1,880	2,400	(520)
1,001	Housing services	35,039	33,744	1,295
1,192	Adult social care	2,690	2,016	674
1,680	Corporate and democratic core	2,220	56	2,164
68	Non distributed costs	707	3	704
17,287	Cost of Services	60,982	44,259	16,723
294	Financing and investment income and expenditure (Note 9)	1,266	1,055	211
(12,565)	Taxation and non-specific grant income (Note 10)	14,521	28,639	(14,118)
5,016	(Surplus)/Deficit of Provision of Services	76,769	73,953	2,816
(9,281)	(Surplus)/deficit on revaluation of property, plant and equipment assets	(414)		(414)
(481)	(Surplus)/deficit on revaluation of available for sale financial assets	400		400
2,153	Remeasurement of the net defined benefit liability (assets)	(5,171)		(5,171)
(7,609)	Other Comprehensive Income and Expenditure	(5,185)	0	(5,185)
(2,593)	Total Comprehensive Income and Expenditure	71,584	73,953	(2,369)

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 2016 and the audited accounts were authorised for issue on 24th September 2016.

2014/15		2015/16
46,864	Property, Plant and Equipment (Note 11)	44,960
160	Heritage Assets (Note 12)	156
215	Investment property (Note 13)	215
444	Intangible Assets (Note 14)	409
9,809	Long Term Investments (Note 15)	10,512
14,812	Long Term Receivables	14,863
72,304	Long Term Assets	71,115
3,126	Short Term Investments (Note 15)	2,005
0	Assets Held For Sale (Note 18)	1,185
56	Inventories	41
5,335	Short Term Receivables (Note 16)	7,000
7,360	Cash and Cash Equivalents (Note 17)	6,353
15,877	Current Assets	16,584
(27)	Short Term Borrowing (Note 15)	(4,025)
(9,645)	Short Term Payables (Note 19)	(7,130)
(2,414)	Provisions (Note 20)	(1,885)
(12,086)	Current Liabilities	(13,040)
(38,574)	Other Long Term Liabilities	(34,768)
(155)	Capital Grants Receipts in Advance	(155)
(38,729)	Long Term Liabilities	(34,923)
37,366	Net Assets	39,736
14,323	Usable Reserves (Note 21)	14,552
23,043	Unusable Reserves (Note 22)	25,184
37,366	Total Reserves	39,736

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.

2014/15		2015/16
£000		£000
(5,016)	Net Surplus/(Deficit) on the Provision of Services	(2,816)
10,064	Adjustments to net surplus/(deficit) on the Provision of Services from non-cash movements	(1,592)
0	Adjustments for items included in the net surplus/(deficit) on the Provision of Services that are investing or financing activities	0
5,048	Net cash flows from Operating Activities (Note 23)	(4,408)
(2,318)	Investing Activities (Note 24)	(598)
(2)	Financing Activities Note 25)	3,999
2,728	Net increase/(decrease) in cash and cash equivalents	(1,007)
4,632	Cash and cash equivalents as at 1 April	7,360
7,360	Cash and cash equivalents as at 31 March	6,353

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, (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.

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 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.

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 for the difference between the two.

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.
 - Unlisted securities - current bid price.
 - Property - market value.
- The change in the net pensions liability is analysed into the following components:
 - Service Cost comprising
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Net interest on the net defined benefit (asset) ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and Investment

Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the net return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Surrey Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to 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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

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.

Amortisation of intangible assets

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

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 2015/16 (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.

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 and IT equipment 20% per annum on the reducing balance and other equipment, straight-line allocation over the estimated useful life of the asset, 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 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.

24. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Notes to the Core Financial Statements

1. Analysis of Major Service Areas Expenditure

2014/15 Net £,000	Service Area	2015/16		
		Expenditure £000	Income £000	Net £000
	CENTRAL SERVICES TO THE PUBLIC			
312	Elections and Electoral registration	539	1	538
245	General Grants	200	0	200
(40)	Local Land Charges	163	207	(44)
325	Local Tax Collection	956	366	590
275	Communications	288	7	281
357	Corporate Management Team	250	0	250
760	DS Management Team	692	36	656
521	Environment	599	68	531
1,039	Other	1,693	1,085	608
3,794		5,380	1,770	3,610
	CULTURAL RELATED SERVICES			
361	Community Safety	355	68	287
533	Leisure & Culture	1,232	451	781
1,238	Open Spaces	560	106	454
308	Property Expenses	317	0	317
202	Recreation & Sport			0
9	Other	460	0	460
2,651		2,924	625	2,299
	ENVIRONMENTAL & REGULATORY SERVICES			
1,565	Environmental and Public Health	1,665	673	992
(356)	Cemeteries	55	330	(275)
87	Building Control	473	371	102
1,709	Open Spaces	1,929	204	1,725
2,160	Refuse & Recycling	3,540	1,496	2,044
899	Other	807	35	772
6,064		8,469	3,109	5,360
	PLANNING SERVICES			
908	Planning Services	1,673	536	1,137
908		1,673	536	1,137
	HOUSING SERVICES			
(259)	Housing Benefits	31,652	31,865	(213)
(129)	Housing	1,106	707	399
1,389	Homelessness	2,281	1,172	1,109
0	Other			0
1,001		35,039	33,744	1,295
	HIGHWAYS ROADS AND TRANSPORT SERVICES			
(118)	Parking Services	1,832	2,150	(318)
47	Other	48	250	(202)
(71)		1,880	2,400	(520)
	ADULT SOCIAL CARE SERVICES			
285	Community Care Administration	263	0	263
443	Day Centres	772	391	381
39	Meals on Wheels	205	195	10
134	Spelthorne Accessible Transport	255	117	138
292	Spelthorne Troubled Families	961	1,040	(79)
(1)	Spelthorne Personal Alarm Network	233	272	(39)
1,192		2,689	2,015	674
	CORPORATE AND DEMOCRATIC CORE			
1,049	Corporate Management	1,648	55	1,593
238	Committee Services and Corporate Governance	160	0	160
393	Democratic Representation and Management	412	1	411
1,680		2,220	56	2,164
68	Non Distributed Costs and Accumulated Absences Provision	707	3	704
68		707	3	704
17,287	TOTAL NET COST OF SERVICES	60,981	44,258	16,723

2. Accounting Standards Issued but not yet adopted

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 2016. These are outlined below:

- Amendments to IAS19 Employee benefits
- Annual improvements to IFRSs (2010-2012 Cycle)
- Amendment to IFRS11 Joint Arrangements
- Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets

- Annual improvements to IFRSs (2012-2014 Cycle)
- Amendment to IAS1 Presentation of Financial Statements
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement.

3. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out on pages 15 to 29, 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 2015/16 (2014/15: There were no prior period adjustments made).

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 2016 for which there is a significant risk of material adjustments in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice.	The effect on the net pension's liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Arrears	At 31 March 2016, the Council had a balance of sundry Receivables for £7.0m and has made a provision of £1.4m for impairment of doubtful	If collection rates were to deteriorate, a doubling of the amount of the

	debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	impairment of doubtful debts would require an additional £1.4m to be set aside as an allowance.
Business Rates Appeals	A provision of £1,816k has been included in the accounts to reflect the Council's share (40%) of the estimated impact of business rate payers successfully appealing the rateable value assigned to their properties. This is based on the number of appeals outstanding as at 31 st March 2016 and the historical success rate of all appeals since 2010.	The Council will be required to reimburse all rate payers who are successful with their appeals, and this will also impact upon business rates receivable in future years.

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 £31.0m in 2015/16. However, this expenditure is fully recovered by the receipt of subsidy from central Government, £31.0m in 2015/16, 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 2015/16 and the prior year 2014/15:

2015/16	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	2,738			(2,738)
Movement in the market value of investment properties				0
Revenue expenditure funded from capital under statute	569			(569)
Other adjustments	(6)			6
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(136)		136	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(347)		(184)	531
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,049)	1,049		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(782)		782
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
Revenue Contribution to capital finance	(816)			816
Adjustment primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	3,704			(3,704)
Contributions to the pension fund	(2,339)			2,339
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	507			(507)
Total Adjustments	2,825	267	(48)	(3,044)

2014/15	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	2,759			(2,759)
Movement in the market value of investment properties	(37)			37
Revenue expenditure funded from capital under statute	1,549			(1,549)
Other adjustments	(4)			4
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(254)		254	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(297)		(205)	502
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,144)	1,144		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(905)		905
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
Revenue Contribution to capital finance	(1,005)			1,005
Adjustment primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	3,440			(3,440)
Contributions to the pension fund	(2,105)			2,105
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	51			(51)
Total Adjustments	2,953	239	49	(3,241)

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 2015/16.

Reserve Description	Balance as at 31/3/15	Transfers In 2015/16	Transfers Out 2015/16	Balance as at 31/3/16
	£000	£000	£000	£000
General Fund	1,966	0	(71)	1,895
Earmarked Reserves:				
Revenue Grants Unapplied	759	145	0	904
Capital Fund	443	0	0	443
Interest Equalisation	493	0	0	493
New Schemes Fund	1,221	0	0	1,221
Housing Initiatives	6,611	0	(817)	5,794
Business Improvement	1	0	(1)	0
Insurance	50	0	0	50
New Homes Bonus	50	0	0	50
Revenue Carry Forwards	239	0	0	239
Bridge Street	69	0	0	69
Bronzefield Maintenance	281	0	(4)	277
Youth Council	20	0	0	20
Business Rates Equalisation	389	756	0	1,145
	10,626	901	(822)	10,705
TOTAL	12,592	901	(893)	12,600

9. Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
1,434	Net Interest on the net defined benefit liability	1,198
(560)	Finance Lease Income	(400)
(561)	Interest receivable and similar income	(598)
(19)	Income and expenditure in relation to investment properties and changes in their fair value	9
294	Total	209

10. Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
6,824	Council tax income	7,194
1,533	Non domestic rates	2,864
3,656	Non-ringfenced government grants	3,576
552	Capital grants and contributions	484
12,565	Total	14,118

11. Property, Plant and Equipment

Movement on Balances in 2015/16:

2015/16	Land and Buildings £000	Surplus Assets £000	Vehicles, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or valuation				
At 1 April 2015	45,175	0	7,293	52,468
Revaluation increases / (decreases) recognised in the Revaluation Reserve	90	0	0	90
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	3	(67)	0	(64)
Assets reclassified (to)/from Held for Sale	(1,185)	0	0	(1,185)
Additions	145	817	419	1,381
At 31 March 2016	44,228	750	7,712	52,690
Accumulated Depreciation and Impairment				
At 1 April 2015	0	0	5,604	5,604
Depreciation Charge	1,863	0	526	2,389
Depreciation written out to the Revaluation Reserve	(324)	0	0	(324)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(11)	0	0	(11)
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	72	72
At 31 March 2016	1,528	0	6,202	7,730
Net Book Value				
at 31 March 2016	42,700	750	1,510	44,960
at 31 March 2015	45,175	-	1,689	46,864

Movement on Balances in 2014/15:

2014/15	Land and Buildings £000	Vehicles, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or valuation			
At 1 April 2014	43,487	6,696	50,183
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,561		4,561
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(2,873)		(2,873)
Additions		597	597
At 31 March 2015	45,175	7,293	52,468
Accumulated Depreciation and Impairment			
At 1 April 2014	5,747	4,919	10,666
Depreciation Charge	1,386	550	1,936
Depreciation written out to the Revaluation Reserve	(4,741)		(4,741)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(2,392)		(2,392)
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services		135	135
At 31 March 2015	0	5,604	5,604
Net Book Value			
at 31 March 2015	45,175	1,689	46,864
at 31 March 2014	37,740	1,777	39,517

Depreciation

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

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

Capital Commitments

The Council had no major capital commitments at 31 March 2016.

Effect of Changes in Estimates

In 2015/16, 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. A full revaluation of all land and property assets was carried out as at 1st April 2015, and a rolling valuation programme has been implemented from this date onwards with the assets being valued split equally over the five year period. The valuations are carried out by Kempton Carr in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).

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.

Fair Value Hierarchy

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2016 is shown below:

	Fair Value as at 31st March 2016 (Level 2) £000
Recurring Fair Value measurement using:	
Land	262
Building	488
Total	750

Valuation Techniques used to Determine Level 2 Fair Values for Surplus Assets

Significant Observable Inputs – Level 2

The land and buildings located in the local area are measured using the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Surplus Assets

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is their current use taking into account any restrictions on use or sale. Such restrictions include known planning limitations on potential change of use and known title restrictions including existing tenancies.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

12. Heritage Assets

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

2014/15 £000	Heritage Assets - War Memorials	2015/16 £000
	Cost or Valuation	
208	Balance at 1 April	160
(2)	Depreciation	(3)
(46)	Revaluations	(1)
160	Total	156

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 2014/15 £000	Heritage Asset	Location	Valuation 2015/16 £000
	War Memorials		
25	Shepperton War Memorial	High Street, Shepperton	25
30	Ashford War Memorial	Church Road, Ashford	29
45	Stanwell War Memorial	High Street, Stanwell	44
30	Cedar Rec War Memorial	Cedars Rec Ground, Sunbury	29
30	Staines War Memorial	Market Square, Staines	29
160	Heritage Assets valued by Professional Valuer (see table above)		156
	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
345	Total - Heritage Assets (at current and insurance values)		341

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:

2014/15 £000	Investment Properties	2015/16 £000
(52)	Rental Income from properties	(59)
70	Direct operating expenses arising from investment properties	68
18	Total	9

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:

2014/15 £000	Investment Properties	2015/16 £000
	Cost or Valuation	
178	Balance at 1 April	215
37	Net Gain from Fair Value Adjustments	0
215	Total	215

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2016 is shown below:

Recurring Fair Value measurement using:	Fair Value as at 31st March 2016 (Level 2) £000
Land	71
Building	144
Total	215

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The land and buildings located in the local area are measured using the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use taking into account any restrictions on use or sale. Such restrictions include known planning limitations on potential change of use and known title restrictions including existing tenancies.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations were carried out by the Council's valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Chief Financial Officer on a regular basis regarding all valuation matters.

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 2015 £000		31 March 2016 £000
355	Balance at 1 April	444
267	New capital expenditure	181
(178)	less Amortisation	(216)
444	Total	409

Amortisation

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

Intangible Assets 5 Years

15. Financial Instruments

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

31 March 2015			31 March 2016	
Long Term £000	Current £000		Long Term £000	Current £000
-	2,139	Investments	315	2,005
9,809	987	Loans and receivables	10,197	-
9,809	3,126	Available-for-Sale assets	10,512	2,005
		Total Investments		
-	4,846	Debtors		
-	4,846	Financial assets carried at contract amounts	-	6,430
		Total Debtors	-	6,430
-	27	Borrowings		
-	27	Financial liabilities at amortised cost	-	4,026
		Total Borrowings	-	4,026
-	8,827	Creditors		
-	8,827	Financial liabilities carried at contract amounts	-	6,275
		Total Creditors	-	6,275

Income, Expense, Gains and Losses

31 March 2015				31 March 2016		
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
132 0	425 481	557 481		134 0	464 (400)	598 (400)
132	906	1,038	Net Gain for the year	134	64	198

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 2016 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 2015			31 March 2016	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
27 0	27 0	Financial Liabilities Long-Term Creditors	26 4,000	26 4,000

31 March 2015			31 March 2016	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
2,139 14,812	2,139 14,812	Loans and Receivables Long-Term Debtors	2,005 14,821	2,005 14,821

- 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.

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation technique used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	Fair Value as at 31st March 2016 £000
Available for Sale:			
Pooled Investment Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	10,197

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

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 counter-parties from countries with a minimum sovereign rating of A- from Fitch Ratings or the equivalent Moody's or Standard and Poor's rating.

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

The Council's maximum exposure to credit risk in relation to investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's investments and deposits, but there was no evidence as at 31 March 2016 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 2015		31 March 2016
£000		£000
965	Less than three months	1,225
30	Three to six months	26
54	Six months to one year	47
162	More than one year	188
1,211	Total	1,486

• **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 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be that an additional £197k 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 2016, are set out below. The Majority of the investments were purchased during the financial year 2012/13 with one purchased in 2014/15 and a couple of further amendments during 2015/16. The date of purchase is in brackets after the name of the fund:

Pooled Investment Fund Held at 31/3/16	Purchase Cost £000	Market value at 31/3/16 £000
Charteris Elite Income Fund (11/5/12)	800	720
Schroders UK Corporate Bond Fund (11/5/12)	1,500	1,576
M&G Optimal Income Sterling (13/4/15)	1,691	1,654
M&G Global Dividend Fund (27/6/12)	1,000	1,240
Schroders Income Maximiser Fund (6/7/12)	1,000	1,085
Schroders Income Maximiser Fund (24/7/15)	1,000	882
CCLA Property Fund (31/3/13)	1,500	1,935
CCLA Property Fund (30/4/14)	1,000	1,105
Total Pooled Fund Investments	9,491	10,197

- 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 2015 £000		31 March 2016 £000
1,005	Central Government bodies	2,553
5,194	Other entities and individuals	5,783
80	Other Local Authorities	61
(944)	less Provision for Bad Debts	(1,397)
5,335	Total	7,000

17. Cash and Cash Equivalents

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

2014/15 £000		2015/16 £000
2	Cash held by the Council	5
658	Bank Current Accounts	(103)
6,700	Short term deposits with banks & building societies	6,451
7,360	Total Cash and Cash Equivalents	6,353

18. Assets Held For Sale

The table below summarises the properties that are currently classified as held for sale. These properties are likely to be sold within the next year.

31 March 2015 £000		31 March 2016 £000
	Asset newly classified as Held for Sale:	
-	Property, Plant & Equipment	1,185
-	Total	1,185

19. Payables

31 March 2015 £000		31 March 2016 £000
1,261	Central Government bodies	565
3,463	Other Local Authorities	2,421
4,921	Other entities and individuals	4,144
9,645	Total	7,130

20. Provisions

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 2016 is £4,539k (included in the Collection Fund) and the Council's share of this liability is £1,816k (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.

31 March 2015 £000		31 March 2016 £000
-	Property Search Refunds	-
122	Municipal Mutual Insurance	69
2,292	Business Rates Appeals	1,816
2,414	Total	1,885

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 2016:

Balance 31/3/15 £000	Reserve Description	Purpose of Reserve	Balance 31/3/16 £000
1,966	General Fund	The Council's statutory revenue account	1,895
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
1,221	New Schemes Fund	To finance the revenue effects of future capital expenditure and specific revenue projects.	1,221
6,611	Housing Initiatives	To support low cost social housing initiatives in the public and private sector.	5,795
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
69	Bridge Street	To provide a fund for additional improvement works required to the Council's car parks.	69
281	Bronzefield Maintenance	Commuted sum received from HMPS in 2012/13 for the maintenance of open spaces at Bronzefield Prison over a ten year period.	277
389	Business rate Equalisation	To neutralise the impact of the new business rates regime	1,145
758	Revenue Grants Unapplied	Grants received for revenue purposes	903
1,733	Capital Receipts and Grants	Receipts from asset sales and grants and contributions towards capital expenditure	1,951
20	Youth Council	To provide youth activities	20
14,323	Total Usable Reserves as at 31st March		14,552

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 2015 £000		31 March 2016 £000
20,766	Revaluation Reserve	20,094
1,297	Available For Sale Reserve	897
26,987	Capital Adjustment Account	26,897
14,544	Deferred Capital Receipts Reserve	14,544
(38,574)	Pensions Reserve	(34,768)
(1,788)	Collection Fund Adjustment Account	(2,295)
(189)	Accumulated Absences Account	(185)
23,043	Total Unusable Reserves	25,184

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.

2014/15 £000		2015/16 £000
12,095	Balance at 1 April	20,766
12,613	Upward revaluation of assets	414
(3,332)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
(610)	Difference between fair value depreciation and historic cost depreciation	(1,086)
20,766	Balance at 31 March	20,094

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.

2014/15 £000		2015/16 £000
816	Balance at 1 April	1,297
-	Upward revaluation of investments	
481	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(400)
1,297	Balance at 31 March	897

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.

2014/15 £000		2015/16 £000
28,234	Balance at 1 April	26,987
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(2,759)	Charges for depreciation and impairment of non-current assets	(2,738)
(1,549)	Revenue expenditure funded from capital under statute	(569)
611	Adjusting amounts written out of the Revaluation Reserve	1,086
24,537	Net written out amount of the cost of non-current assets consumed in the year	24,766
	Capital financing applied in the year:	
905	Use of the Capital Receipts Reserve to finance new capital expenditure	782
297	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	348
205	Application of grants to capital financing from the Capital Grants Unapplied Account	185
1,006	Capital expenditure charged against the General Fund balance	816
2,413		2,131
37	Movement in the value of Investment Properties	0
26,987	Balance at 31 March	26,897

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

2014/15 £000		2015/16 £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

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.

2014/15 £000		2015/16 £000
(35,086)	Balance at 1 April	(38,574)
(2,153)	Remeasurement of the net defined benefit liability (assets)	5,171
(3,440)	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	(3,704)
2,105	Employer's pension contributions and direct payments to pensioners payable in the year	2,339
(38,574)	Balance at 31 March	(34,768)

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 and a share of any appeals settled. This was responsible for the large increase experienced in 2013/14. The balance showing below reflects the Council's share of the Collection Fund balance at the end of the financial year.

2014/15 £000		2015/16 £000
(1,737)	Balance at 1 April	(1,788)
(51)	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	(507)
(1,788)	Balance at 31 March	(2,295)

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.

2014/15 £000		2015/16 £000
(191)	Balance at 1 April	(189)
2	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	4
(189)	Balance at 31 March	(185)

23. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(5,016)	Net surplus/(deficit) from Operating Activities	(2,816)
	Adjusted for non cash items:	
2,760	Depreciation and Impairments	2,738
(468)	Interest and dividends received	(502)
1,335	Movement in pension liability	1,365
3,863	Movement in debtors/creditors	(4,176)
2,574	Other financing	(1,018)
5,048	Net Cash Flows from Operating Activities	(4,409)

24. Statement of Cash Flows – Investing Activities

2014/15 £000		2015/16 £000
(864)	Purchase of property, plant and equipment	(1,562)
(157,938)	Purchase of short-term and long-term investments	(134,414)
156,311	Proceeds from short-term and long-term investments	134,397
1,743	Other receipts for investing activities	(657)
(1,570)	Other payments for investing activities	1,638
(2,318)	Net cash flows from investing activities	(598)

25. Statement of Cash Flows – Financing Activities

2014/15 £000		2015/16 £000
0	Cash receipts from short and long-term borrowing	4,000
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
(2)	Repayments of short and long-term borrowing	(1)
0	Other payments from financing activities	0
(2)	Net cash flows from financing activities	3,999

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 2015/16 (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;

2015/16										
Cabinet portfolios Income and Expenditure	Leader	Business Continuity & ICT	Finance	Waste, Environment and Parking	Housing, Health, Wellbeing, Ind Living & Leisure	Planning	Economic Development & Fixed Assets	Communications & Procurement	Community Safety & Licensing	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(85)	(44)	(402)	(4,609)	(3,549)	(1,294)	(464)	(7)	(250)	(10,704)
Government grants					(31,866)					(31,866)
Total Income	(85)	(44)	(402)	(4,609)	(35,415)	(1,294)	(464)	(7)	(250)	(42,570)
Employee expenses	469	510	2,248	3,301	3,605	2,098	432	121	199	12,983
Other service expenses	64	258	945	4,790	34,522	1,226	1,395	99	213	43,512
Support service recharges	0	0	0	0	0	0	0	0	0	0
Total Expenditure	533	768	3,193	8,091	38,127	3,324	1,827	220	412	56,495
Net Expenditure	448	724	2,791	3,482	2,712	2,030	1,363	213	162	13,925

2014/15										
Cabinet portfolios Income and Expenditure	Leader	Parking Services & ICT	Finance	Environment	Housing, Health, Wellbeing & Ind Living	Planning & Corp Development	Economic Development & Fixed Assets	Communications	Community Safety, Young People, Leisure & Culture	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(42)	(2,848)	(408)	(2,519)	(3,458)	(1,046)	(658)	0	(630)	(11,609)
Government grants					(31,394)					(31,394)
Total Income	(42)	(2,848)	(408)	(2,519)	(34,852)	(1,046)	(658)	0	(630)	(43,003)
Employee expenses	434	1,185	2,476	2,765	3,214	1,826	256	160	444	12,760
Other service expenses	33	1,734	1,047	3,573	34,214	956	1,607	60	509	43,733
Support service recharges	0	0	0	0	0	0	0	0	0	0
Total Expenditure	467	2,919	3,523	6,338	37,428	2,782	1,863	220	953	56,493
Net Expenditure	425	71	3,115	3,819	2,576	1,736	1,205	220	323	13,490

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.

2014/15		2015/16
£000		£000
13,490	Net expenditure in the Cabinet portfolio analysis	13,925
2,759	Depreciation and impairments	2,738
1,549	Capital Expenditure by statute	569
(557)	Capital receipts and grants received & used for financing	(484)
(7)	DCLG Refuse Project	0
1	Lottery fund and Bronzefield Expenditure	4
560	Finance lease debtor Income	400
(2)	Accumulated absences provision	(3)
(55)	Support service recharges	(50)
(620)	Expenditure between portfolio report and accounts closed	(241)
187	Revenue expenditure and grant income	(144)
(18)	Investment Properties	9
17,287	Cost of Services in Comprehensive Income and Expenditure Statement	16,723

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.

2014/15		2015/16
£000		£000
13,490	Net Expenditure in the Cabinet Portfolio analysis	13,925
2,759	Depreciation	2,738
(2)	Accumulated absences provision	(4)
(657)	Expenditure between portfolio report and accounts closed	(241)
(557)	Capital Receipts and grants used for financing	(484)
1,549	Capital Expenditure by Statute	569
(7)	DCLG Refuse Project	0
1	Lottery and Bronzefield Expeniture	4
1,434	Net Pension Interest cost	1,198
(55)	Support service recharges	(50)
187	Revenue expenditure and grant income	(144)
(561)	Investment Interest Income	(578)
(552)	Recognised capital grants and contributions	(484)
(6,824)	Council tax	(7,194)
(1,533)	National non -domestic rates	(2,864)
(1,883)	Revenue support grant	(1,281)
(1,773)	Non service related government grants	(2,294)
5,016	(Surplus)/Deficit of Provision of Services	2,816

27. Members Allowances

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

2014/15 £000		2015/16 £000
211	Allowances	258
1	Expenses	1
212	Total	259

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	114,688				114,688	19,250	133,938
Assistant Chief Executive	1,644		83,615		85,260	190	85,450
Assistant Chief Executive	82,090				82,090	13,303	95,393
Assistant Chief Executive	81,615				81,615	13,303	94,918
Head of Corporate Governance	73,912				73,912	11,888	85,800

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	
	2014/15	2015/16
125,000 and above		
120,000 - 124,999		
115,000 - 119,999		1
110,000 - 114,999		
105,000 - 109,999		
100,000 - 104,999		
95,000 - 99,999		
90,000 - 94,999		
85,000 - 89,999		
80,000 - 84,999		1
75,000 - 79,999		
70,000 - 74,999		
65,000 - 69,999	3	2
60,000 - 64,999	2	3
55,000 - 59,999	3	1
50,000 - 54,999	2	1
	10	9

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0-£20,000	4	1			4	1	47,882	1,386
£20,001-£40,000			1		1		26,834	
£40,001-£60,000								
£60,001-£80,000			1		1		72,475	
£80,001-£100,000			2		2		173,776	
£100,001-£150,000								
£150,001 -£200,000			2		2		349,368	
Total	4	1	6	0	10	1	670,335	1,386

The Authority terminated the contracts of one employee in 2015/16, incurring liabilities of £1386 (£670,335 in 2014/15) as set out above. This amount was payable to one officer in 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:

2014/15 £000		2015/16 £000
64	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	48
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	7
(13)	Audit Commission Rebate	0
62	Total	55

30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15 £000		2015/16 £000
	Taxation and Non Specific Grant Income	
1,533	Non Domestic Rates	2,864
1,883	Revenue Support Grant (RSG)	1,281
1,774	Other Revenue Grants	2,294
5,190	Total	6,439
	Credited to Services	
32,485	Housing Benefits	32,277
130	Non Domestic Rates	130
123	Other grants	72
32,738	Total	32,479

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 (2014/15 - £154,511) and the amounts applied during the year to finance expenditure are as follows:

2014/15 £000		2015/16 £000
	Capital Grants Receipts in Advance	
297	Specific Capital grant (SCG)	348
0	Other grants	0
0	Contributions	0
297	Total	348

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 2015/16 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 2015/16 there were no related party transactions between the Council and senior officers.

Applied Resilience

Applied Resilience is a new Public Service Mutual Company set up in 2015/16 to provide risk and resilience services. The Council invested £10,000 in the company at launch equating to a 10% holding. The Council entered into a 3 year agreement with the company for the provision of emergency planning and resilience services at a cost of £55,000 a year. (£32,000 in 2015/16)

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:

2014/15 £000	CAPITAL FINANCING REQUIREMENT	2015/16 £000
0	Opening Capital Financing Requirement	0
	Capital investment	
597	Property, Plant and Equipment	564
0	Investment Properties	0
267	Intangible Assets	181
1,549	Revenue Expenditure Funded from Capital under Statute	1,430
2,413	Total Capital Investment	2,175
	Sources of Finance	
(905)	Capital Receipts	(782)
(502)	Government Grants and Contributions	(532)
(6)	Sums set aside from Revenue	(44)
(1,000)	Reserves	(817)
(2,413)	Total Sources of Finance	(2,175)
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.

2014/15	CAPITAL EXPENDITURE AND FINANCING	2015/16
£000	Housing	£000
549	Improvement Grants	569
1,000	Crooked Billet Development	817
1,549		1,386
	Leisure	
36	Parks and Recreation Grounds	147
-	Loan to SLM	44
36		191
	Community care	
182	Day Centres	1
65	Locata	-
247		1
	Environmental Services	
105	Refuse Collection & Recycling	121
44	Environmental Initiatives	20
149		141
	Other	
291	Computer Developments	292
59	Knowle Green	47
82	Community Safety	3
-	Car Park Improvements	114
432		456
2,413	TOTAL CAPITAL EXPENDITURE	2,175
	Summary of Financing	
905	Capital Receipts	782
297	Specific Government Grants	348
211	Other Grants and Contributions	184
1,000	Revenue Reserves	861
2,413	TOTAL CAPITAL FINANCING	2,175

33. Leases

Council as lessee

Operating Leases

Expenditure on operating leases in 2015/16 was £831,432 (2014/15 £794,207)

Expenditure on an arrangement within the grounds maintenance contract which has been classified as an operating lease was valued at £104,500 in 2015/16 and £110,400 in 2014/15. 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:

2014/15		2015/16
£000		£000
114	Not later than one year	383
533	Later than one year and not later than five years	21
31	Later than five years	0
678	Total	404

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;

2014/15		2015/16
£000		£000
73	Not later than one year	68
51	Later than one year and not later than five years	23
142	Later and five years	165
266	Total	256

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 2015-16 £0 contingent rents were receivable by the Council (2014/15 £0).

Council as Lessor

Finance Leases

2014/15 £000		2015/16 £000
14,544	Finance lease debtor (net present value of minimum lease payments):	14,544
120,976	Unearned finance income	120,416
3,830	Unguaranteed residual value of property	3,830
139,350	Gross investments in the lease	138,790

Gross Investment in the Lease 31-Mar-15 £000	Gross Investment in the Lease 31-Mar-16 £000		Minimum Lease Payments 31-Mar-15 £000	Minimum Lease Payments 31-Mar-16 £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
136,550	135,990	Later than five years	132,720	132,160
139,350	138,790	Total	135,520	134,960

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 £72,271 in 2015/16 (£134,703 in 2014/15).

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.

2014/15 £000		2015/16 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
	Service cost comprising:	
1,964	current service cost	2,293
42	past service cost	213
	(gain)/loss from settlements	
	Financial and Investment Income and Expenditure	
1,435	Net interest expense	1,198
	Total Post-employment Benefits charged to the Surplus or Deficit on the provision of Services	
3,441		3,704
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(5,831)	Return of plan assets (excluding the amount included in the net interest expense)	1,394
	Actuarial gains and losses arising on changes in demographic assumptions	
8,951	Actuarial gains and losses arising on changes in financial assumptions	(5,060)
(967)	Other	(1,505)
5,594	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1,467)
	Movement in Reserves Statement	
(3,440)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(3,704)
	Actual amount charged against the General Fund Balance for pensions in the year:	
2,105	Employer's contributions payable to scheme	2,339

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:

2014/15 £000		2015/16 £000
107,542	Present value of the defined benefit obligation	103,230
(68,968)	Fair value of plan assets	(68,462)
38,574	Sub-total	34,768
-	Other movements in the liability (asset)	
38,574	Net liability arising from defined benefit obligation	34,768

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

2014/15 £000		2015/16 £000
61,767	Opening fair value of scheme assets	68,967
2,508	Interest income	2,119
	Remeasurement gain/ (loss):	
5,831	The return on plan assets, excluding the amount included in the net interest expense	(1,394)
-	Other	-
-	The effect of changes in foreign exchange rates	-
1,901	Contributions from employer	2,136
571	Contributions from employees into the scheme	540
(3,611)	Benefits paid	(3,907)
-	Other	
68,967	Closing fair value of scheme assets	68,461

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

2014/15 £000	Funded Liabilities: Local Government Pension Scheme (LGPS)	2015/16 £000
96,853	Opening balance at 1 April	107,542
1,964	Current service cost	2,293
3,943	Interest cost	3,317
571	Contributions from scheme participants	540
	Remeasurement (gain) and losses:	
-	Actuarial gains/losses arising from changes in demographic assumptions	-
8951	Actuarial gains/losses arising from changes in financial assumptions	(5,060)
(967)	Other	(1,505)
42	Past service cost	213
	Losses/(gains) on curtailment	
(204)	Liabilities assumed on entity combinations	(203)
(3,611)	Benefits paid	(3,907)
	Liabilities extinguished on settlements	
107,542	Closing balance at 31 March	103,230

Local Government Pension Scheme assets comprised:

2014/15 £000	Asset category	2015/16 £000
	Equity Securities:	
5,166.1	Consumer	5,499.5
3,735.1	Manufacturing	4,185.2
2,259.7	Energy and utilities	1,923.4
4,418.5	Financial institutions	4,892.9
2,426.0	Health and care	2,413.0
3,293.9	Information technology	3,707.7
-	Other	100.7
	Debt Securities:	
2,510.1	Corporate Bonds (investment grade)	2,928.7
277.2	Corporate Bonds (non-investment grade)	181.7
1,552.9	Government	
641.5	Other	91.4
	Private Equity:	
2,587.9	All	2,723.4
	Real Estate:	
4,352.3	UK Property	4,131.5
33.2	Overseas Property	536.8
	Investment Funds and Unit Trusts:	
20,088.8	Equities	17,821.2
6,446.7	Bonds	7,346.1
-	Hedge Funds	-
-	Commodities	-
-	Infrastructure	-
7,953.7	Other	8,479.8
	Derivatives:	
-	Inflation	-
(9.8)	Interest Rate	0.3
(54.3)	Foreign Exchange	(412.7)
-	Other	-
	Cash and Cash Equivalents:	
1,288.5	All	1,911.1
68,968	Total assets	68,461

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 2016.

The principal assumptions used by the actuary have been:

2014/15		2015/16
	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	
Years	Mortality assumptions:	Years
	Longevity at 65 for current pensioners:	
22.50	Men	22.50
24.60	Women	24.60
	Longevity at 65 for future pensioners:	
24.50	Men	24.50
26.90	Women	26.90
%	Other assumptions:	%
2.50	Rate of inflation	2.50
3.90	Rate of increase in salaries	3.60
2.60	Rate of increase in pensions	2.10
4.10	Rate of discounting scheme liabilities	3.40
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 decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2016	Increase in Assumptions £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	3,097	
Rate of inflation (increase or decrease by 1%)		
Rate of increase in salaries (increase or decrease by 1%)	2,173	
Rate of increase in pensions (increase or decrease by 1%)	7,092	
Rate for discounting scheme liabilities (increase or decrease by 1%)		9,358

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 triennial revaluation was completed on 31st March 2016 and the results will be confirmed in Autumn 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 2015 (or service after 31st March 2016 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 £2.265m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 16.5 years, 2015/16 (16.5 years 2014/15).

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.

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.

Following the EU referendum in June 2016 and the yes vote by the United Kingdom to leave the EU, the impact on the authority is uncertain at the present time.

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.

		Business	Council	
Total		Rates	Tax	Total
2014/15		2015/16	2015/16	2015/16
£000		£000	£000	£000
	INCOME			
60,786	Council Tax Receivable		63,177	63,177
42,580	Business Rates Receivable	42,174		42,174
51	Transitional Protection Payments Receivable	(12)		(12)
103,417		42,162	63,177	105,339
	Contribution towards previous year's Deficit			
1,310	Central Government	791		791
1,048	Spelthorne Borough Council	632	0	632
262	Surrey County Council	158	0	158
0	Surrey Police		0	0
2,620		1,581	0	1,581
	EXPENDITURE			
	Precepts, Demands and Shares			
21,131	Central Government	22,523		22,523
23,446	Spelthorne Borough Council	18,018	6,927	24,945
47,940	Surrey County Council	4,505	46,313	50,818
7,738	Surrey Police		8,198	8,198
100,255		45,046	61,438	106,484
	Contribution towards previous year's Surplus			
0	Central Government	0		0
188	Spelthorne Borough Council	0	266	266
1,300	Surrey County Council	0	1,780	1,780
230	Surrey Police		315	315
1,718		0	2,361	2,361
	Charges to the Collection Fund			
204	Less: write offs of uncollectable amounts	48	95	143
138	Less: Increase / (Decrease) in Bad Debt Provision	742	120	862
3,113	Less: Increase / (Decrease) in Provision for Appeals	(1,192)		(1,192)
130	Less: Cost of Collection	130	0	130
0	Less: Disregarded Amounts	0		0
3,585		(272)	215	(57)
479	Surplus / (Deficit) arising during the year	(1,031)	(837)	(1,868)

Total		Business	Council	
2014/15		Rates	Tax	Total
£000		2015/16	2015/16	2015/16
		£000	£000	£000
	<u>Movement on the Collection Fund</u>			
	Precepts, Demands and Shares			
(3,314)	Surplus / (Deficit) brought forward 1st April	(5,112)	2,277	(2,835)
479	Movement on the fund balance for the year	(1,031)	(837)	(1,868)
(2,835)	Surplus / (Deficit) carried forward 31st March	(6,143)	1,440	(4,703)

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	305	6/9	206
B	1,041	7/9	810
C	6,160	8/9	5,476
D	11,925	1	11,925
E	8,838	11/9	10,802
F	4,145	13/9	5,988
G	1,926	15/9	3,210
H	95	18/9	191
Total	34,435		38,608
Number of Band D Equivalents in lieu			40
Less: Allowance for losses on collection and appeals			-676
Council Tax Base			37,971

Non-Domestic Rates

The 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 2016 was £102,813,483 and the national non-domestic rate multiplier for 2015/16 was 0.493.

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 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

- The Council publishes on regular basis (normally every three years) its Corporate Plan. <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. Following the election of a new Council in May 2015 work is underway to prepare a new Corporate Plan to be published in July 2016
- The Council has a comprehensive system for the completion of service plans and performance reviews.
- A Performance Management Board has been set up which meets quarterly to review key performance management feedback. At least one Cabinet Member and the Chief Executive sit on the Board
- 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. Progress towards the achievement of the corporate priority objectives will be monitored by the Performance Management Board through the performance management system and reported to Cabinet.
- 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 at its annual conference each September. The Council is currently discussing with its partners the way forward for the Spelthorne Together partnership.

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 which was improved and relaunched during 2015-16. For the 2017-18 Budget process the Council will be exploring a targeted budget consultation exercise

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, the corporate complaints process is being reviewed in 2016-17 following a management restructuring.

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 2015/16 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;
- Monitoring business rates retention performance and levels of appeals
- 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.
- During 2015-16 Spelthorne participated along with Surrey County Council and a number of Surrey districts and boroughs in a counter fraud project funded by the Department for Local Government and Communities (Spelthorne received £60,000). Spelthorne focused on business rates avoidance and housing tenancy fraud. Spelthorne identified savings of approximately £400,000 of which roughly three quarters related to business rates.

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 has refreshed its approach to performance management and has created 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 are assisting Managers in populating risk and control assurance templates... Risk management is built into the Council's corporate project management methodology.
- The Corporate Risk Management Group meet periodically. The Council's Corporate Risk Register is owned by the corporate management team which review it three times a year, as well as Cabinet and Audit Committee.

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

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

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

- The Council incorporates good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflects these in the authority's overall governance arrangements. The Council works closely with partner Commissioner authorities Surrey County Council and the Clinical Commissioning Group.

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 Internal Audit Managers' 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

In order to establish the ongoing basis for Annual Governance reporting, 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. 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 Internal Audit Manager 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 2015/16 which is summarised in the Annual Audit report.

Management has agreed in the majority of cases to address any shortcomings identified by Audit, or accept the associated risks of not doing so. Issues with a significant level of risk attached have been transferred into the Council's Corporate Risk Register for regular monitoring by Management Team and the Audit Committee.

During 2015-16 audit reviews made recommendations in the following areas:

Letting of contracts by Asset Management- improving arrangements for review of contract with partner authority

ICT – production of a new strategy recommended- draft strategy now produced

Corporate Health and safety – highlighting impact of resources constraints on ability to have comprehensive risk inspections, potentially increasing the risk of serious injury or even fatality, subsequent insurance claims and reputational damage. Whilst these risks have been accepted by Management Team, this should be subject to periodical review.

Staines market – improving controls around recording and monitoring of income

Creditors – improvements to reconciliation process and recommendation that authorisation limits will be reviewed once restructure completed.

Debtors – corporate management to review monitoring arrangements for high value debts, targets to be set for reducing aged debts, improvements to be made to monitoring bed and breakfast debts

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

Risk of service failure, particularly around staff recruitment and retention. Corporate management commissioning advice and recommendations on how to address

ICT Strategy and resources – new strategy produced and resources will be considered as part of 2017-18 Budget process

Housing pressures- a number of measures designed to mitigate are being implemented.

Debt recovery – additional training provided and monitoring being improved. The Corporate Debt group continue to encourage the strengthening of recovery processes.

Information Governance – dedicated resource now approved to progress action plan to ensure information assets are identified and effectively managed. Information Governance Group meet periodically.

Safeguarding – weak feedback process relating to children's referrals and unclear responsibility for dealing with safeguarding issues where cross border referrals. These concerns have been escalated.

I.Harvey

.....
Cllr Ian Harvey
Leader of the Council

R.Tambini

.....
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 2016 on pages 10 to 72. 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 2015/16.

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 Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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 73 to 81 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 foreword 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 October 2014, 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 2016.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, 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 2016.

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.

Neil Hewitson
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

xxth September 2016

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.