



Spelthorne Borough Council

Statement of Accounts 2011-2012

T Collier
Chief Finance Officer

Financial Statements and Annual Report

Contents

	Page No.
Explanatory Foreword	2-7
Statement of Responsibilities for the Statement of Accounts.....	8
<u>Core Financial Statements</u>	
Movement in Reserves Statement	9-10
Comprehensive Income and Expenditure Statement	11
Balance Sheet as at 31 March 2012	12
Statement of Cash Flows	13
Statement of Accounting Policies.....	14-27
Notes to the Core Financial Statements	28-64
Collection Fund	65-66
Annual Governance Statement	67-74
Independent Auditor's Report to Spelthorne Borough Council.....	75-77
Glossary of Terms	78-85

Explanatory Foreword

By the Chief Finance Officer

During 2011-12 the Council had to respond to the impact of external grant funding cuts flowing from the national public sector deficit reduction. The Council also had to respond to the impact of depressed economic activity in 2011-12 which pushed up demand for some Council services such as housing and housing benefits and constrained some of its income streams.

It has continued to be a very challenging environment for the Council in which to seek to maximise its investment income, with base rates staying at a historic all time low of 0.5% throughout 2011-12 and concerns relating to Eurozone issues reducing the credit rating of counter parties limiting the Council's choice of financial counterparties for placing investments.

Despite these challenges the Council protected front line services and indeed implemented service improvements with the commencement of a weekly food waste collection scheme in October 2011 and the opening of the new Benwell Day centre. However the Council was successful in reclaiming from HM Revenues and Customs £0.743m backdated VAT refund and interest relating to trade refuse income. This has been shown as an exceptional item in the Comprehensive Income and Expenditure Statement on page 11. This income has helped limit the use of reserves in 2011-12 helping to strengthen the Council's Balance Sheet.

The Statement of Accounts is presented in accordance with the Code of Accounting Practice on Local Authority Accounting in the United Kingdom 2011-12 as required by the Accounts and Audit Regulations 2012. The 2011-12 Code introduced new requirements around accounting for and disclosure of "Heritage Assets" (see pages 25, 38 to 39).

Its purpose is to give electors, other local taxpayers, members, 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 9-10)
- Comprehensive Income and Expenditure statement (page 11)
- Balance Sheet (page 12)
- Statement of Cash Flow (page 13)

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Deficit for 2011-12 on the provision of services (£1.456m) shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure

Statement. The surplus/deficit figures are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

The net increase before transfers to/from earmarked reserves is £0.127m and this is the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves. The net decrease after transfers to/from earmarked reserves is £0.127m.

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations. The segmental reporting note to the Statement enables a comparison of the outturn figures to the format in which budget monitoring figures have been reported to Councillors throughout the year. The total net deficit on the Total Other Comprehensive Income and Expenditure Statement of £6.37m reflects actuarial losses relating to the Council's pension liabilities of £6.294m.

The **Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets (£43.911m) 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 2012 totalling £14.706m) , i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. It is worth noting that despite the need to maintain a capital programme the level of usable reserves is only slightly reduced on the previous year's balance of £14.798m. 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 2012 totalling £29.205m). This category includes reserves that hold unrealised gains and losses (for example the revaluation reserves) where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

The **Statement of Cash Flow** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash inflows arising from operating activities (£0.198m) is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. The investing activities represent the extent to which cash outflows have been made for resources intended to contribute to the Council's future service delivery.

Local authorities have been required to produce their statements of accounts in accordance with International Financial Reporting Standards (IFRS). Whilst not a core statement within the Statement of Accounts as a local Council with responsibility for collecting council tax we are required to prepare an annual **Collection Fund Statement (page 65)**: The Local Government Finance Act 1988 requires each charging Council to operate a Collection Fund to account for the Council Tax and Business Rate Income and its distribution to Precepting Authorities (Surrey County Council and Surrey Police Authority) and Central Government.

This Council's levy on the Collection Fund was set at £167.30 per Band D property (a nil percentage increase) after taking account of a transfer of £0.298m from reserves and a transfer of £7,000 into the Collection Fund following lower than expected collection rates for Council Tax during the previous year.

Capital Expenditure

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

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

Total gross capital expenditure in 2011-12 was £1.862 million and a breakdown of the schemes making up this spend can be found in note 33 (page 57). The following statement shows the total gross capital expenditure for the year and how it has been financed.

	£000
Total Capital Expenditure	1,862
Financed by:	
Capital Receipts	1,183
Specific Government Grants	335
Other Grants and Contributions	260
Revenue Reserves	84
Total	1,862

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

Future capital expenditures and resources are as follows:

Future Capital Investment Plans and Resources	Estimate 2012/13	Estimate 2013/14	Estimate 2014/15	Estimate 2015/16
	£	£	£	£
Capital Programme	1,836,000	840,500	760,500	760,500
Resources available:				
Capital Receipts	1,551,000	505,500	510,500	510,500
Capital Grants/Contributions	285,000	335,000	250,000	250,000
	1,836,000	840,500	760,500	760,500

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

Pensions

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 2012, showing a deficit of £28.286m for this Council, which represents a £6.480m increase relative to 2010-11. This largely reflects:

- The deficit has increased due to increase of long term inflation expectations.
- It must be emphasised that this calculation has been made for the specific requirements of "IAS 19" and should not be used for any other purpose. There was a separate Triennial Revaluation based on the Pension as at 31 March 2012, the result of which kept employer contributions unchanged partly as a result of the factors identified above partly as a result of a very good investment return performance by the Surrey Pension Fund in 2012 and partly as a result of a move to stabilise employer contribution movements.

The liabilities of £28.286m show the underlying commitments that the Council has in the long run to pay retirement benefits. The liability has a substantial impact reducing the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

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

The Government is currently considering changes to public sector pensions which are likely to reduce the future cost to employers of such schemes.

Borrowing

The Council has not had any long term borrowing for a number of years and as at 31 March 2012 had no long term borrowing.

Provisions

No new provisions were made during 2011-12.

Revenue Expenditure

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

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

Comparison of 2011/12 Actual Revenue Expenditure to Budget			
	Budget 2011-12	Actual Expenditure	Variance Actual to Budget
	£000	£000	£000
Gross Expenditure	54,583	56,477	1,894
Income - Government Grants	(35,013)	(35,652)	(639)
Income - other	(7,452)	(8,018)	(566)
Exceptional Item	0	(743)	(743)
Net Service Expenditure	12,118	12,064	(54)
Interest on balances	(356)	(342)	14
Transfers from reserves	(298)	(207)	91
			0
Budget Requirement	11,464	11,515	51
Financed by:			
Non-service related Grants	400	443	43
Revenue Support Grant	1,015	1,015	0
Non-domestic rates from national pool	3,283	3,283	0
Precept on Collection Fund	6,766	6,774	8

The above analysis covers revenue expenditure and income only and is not directly comparable with the segmental analysis on page 27 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 2011-12 the strategy was updated to respond to the grant cuts the Council will experience over the next few years.

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

- The need to maximise savings and efficiencies. Strategies to deliver this include:
 - Sharing of services with other authorities- during 2011-12 several heads of service and other posts have been shared with a neighbouring borough council
 - Seeking procurement savings. For example at the end of 2011-12 the Council let a new insurance contract which will save it approximately £0.130m per annum
 - Rationalising accommodation and letting out office space. During 2011-12 a part of the first and second floors of the Council Offices were let out to Surrey Social Services staff which will generate an ongoing revenue income
 - Tight vacancy control
 - Seeking restructuring savings

- Reviewing fees and charges
 - Smarter use of technology
 - Restructuring management and staffing levels, during 2011-12 several senior managers left and their posts were not directly replaced.
- A continuing need to reduce dependence on reserves –The importance of maximising investment income whilst balancing risk.
 - The increasing deficits identified over the Outline Budget period.

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

Summary

The next few years will continue to be extremely challenging. The Council has been impacted by the severity of the global economic downturn and then by the public sector deficit reduction programme, which means levels of government grant are being cut. The Council's ability to generate capital receipts is also constrained. This means the Council will be more constrained in future years in its capital programme and that it may need to consider business cases where appropriate for prudential borrowing. As far as the revenue budget is concerned, as a result of significant savings having been delivered over the last few years the budget gap for 2013-14 may be a little bit easier. However, there are a number of very significant financial uncertainties heading local government's way in the form of localisation of business rates, localisation of council tax support, introduction of universal credit which bring potential financial risks for local government. A balanced budget was set for 2012-13 which incorporated £1m worth of savings. The Council has reserves but these have been used to support the budget over a number of years and this approach is not sustainable in the medium term, hence the decision to reduce over time the dependence on this source of funding. A number of strategies including partnership working and sharing services with other local authorities; seeking procurement savings; rationalising accommodation and letting out surplus space to other organisations; better use of technology and restructuring are being pursued. By pursuing these strategies we are confident that we can ensure that Spelthorne Borough Council has a sustainable financial future.

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

The accounts were authorised for issue by Mr T Collier, Chief Finance Officer on 19 September 2012 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 2012.

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.

T.Collier

**Mr Terry Collier, CPFA, CA
Chief Financial Officer**

Date: 19 September 2012

Cllr D.Gohill

**Councillor Dipak Gohil
Chair of Audit Committee**

Date: 20 September 2012

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 11). 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.

2011/12

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

Movement in Reserves Statement Prior Year Comparatives

2010/11	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 2010	1,619	11,141	1,932	439	15,131	11,411	26,542
Movement in Reserves during the year							
Surplus/(deficit) on Provision of Services	9,122	0	0	0	9,122	0	9,122
Other Comprehensive Income and Expenditure	0	0	0	0	0	16,073	16,073
Total Comprehensive Income and Expenditure	9,122	0	0	0	9,122	16,073	25,195
Adjustments between accounting basis and funding basis under regulation	(9,749)	0	104	190	(9,455)	9,455	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(627)	0	104	190	(333)	25,528	25,195
Transfer from/(to) Earmarked Reserves	245	(245)	0	0	0	0	0
Increase/(Decrease) on 2010/11	(382)	(245)	104	190	(333)	25,528	25,195
Balance carried forward as at 31 March 2011 (restated)	1,237	10,896	2,036	629	14,798	36,939	51,737

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.

2010/11		2011/12		
Net Expenditure £000 Restated		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,399	Central Services to the public	11,013	7,423	3,590
5,244	Cultural and Retail Services	3,027	1,415	1,612
6,561	Environmental And Regulatory Service	8,066	2,644	5,422
1,235	Planning Services	1,479	319	1,160
340	Highways and transportation services	1,604	1,962	(358)
538	Housing services	30,558	29,604	954
1,046	Adult Social care	1,537	777	760
1,899	Corporate and democratic core	1,880	99	1,781
(8,274)	Non distributed costs	42	84	(42)
(557)	Exceptional Items	0	743	(743)
11,431	Cost of Services	59,206	45,070	14,136
(7,036)	Other operating expenditure (Note 9)	0	0	0
(135)	Financing and investment income and expenditure (Note 10)	550	1,016	(466)
(13,382)	Taxation and non-specific grant income (Note 11)	0	12,214	(12,214)
(9,122)	(Surplus)/Deficit of Provision of Services	59,756	58,300	1,456
(7,350)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets	0	0	0
136	(Surplus)/deficit on revaluation of Available for Sale financial assets	76	0	76
(8,859)	Actuarial (gains)/losses on pension assets/liabilities	6,294	0	6,294
(16,073)	Other Comprehensive Income and Expenditure	6,370	0	6,370
(25,195)	Total Comprehensive Income and Expenditure	66,126	58,300	7,826

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 29 June 2012 and the audited accounts were authorised for issue on 19 September 2012.

1 April 2010 £000	31 March 2011 Restated £000		31 March 2012 £000
42,127	43,831	Property, Plant and Equipment (Note 12)	42,393
0	214	Heritage Assets (Note 13)	212
7,690	180	Investment property (Note 14)	178
0	154	Intangible Assets (Note 15)	280
6,385	3,122	Long Term Investments	0
131	14,620	Long Term Receivables	14,583
56,333	62,121	Long Term Assets	57,646
5,114	10,123	Short Term Investments	8,060
350	0	Assets Held For Sale	0
47	52	Inventories	97
7,445	4,007	Short Term Receivables (Note 17)	4,434
733	2,065	Cash and Cash Equivalents (Note 18)	6,665
13,689	16,247	Current Assets	19,256
(1,535)	(35)	Short Term Borrowing	(35)
(3,371)	(4,710)	Short Term Payables (Note 20)	(4,515)
(4,906)	(4,745)	Current Liabilities	(4,550)
(38,536)	(21,806)	Other Long Term Liabilities	(28,286)
(38)	(80)	Capital Grants Receipts in Advance	(155)
(38,574)	(21,886)	Long Term Liabilities	(28,441)
26,542	51,737	Net Assets	43,911
15,131	14,798	Usable Reserves (Note 22)	14,706
11,411	36,939	Unusable Reserves (Note 23)	29,205
26,542	51,737	Total Reserves	43,911

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.

2010/11 Restated £000		2011/12 £000
9,122	Net Surplus/(Deficit) on the Provision of Services	(1,456)
(4,097)	Adjustments to net surplus/(deficit) on the Provision of Services from non-cash movements	1,654
0	Adjustments for items included in the to net surplus/(deficit) on the Provision of Services that are investing or financing activities	0
5,025	Net cash flows from Operating Activities (Note 24)	198
(2,194)	Investing Activities (Note 25)	4,402
(1,499)	Financing Activities Note 26)	0
1,332	Net increase/(decrease) in cash and cash equivalents	4,600
733	Cash and cash equivalents as at 1 April	2,065
2,065	Cash and cash equivalents as at 31 March	6,665

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. 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 2011/12 (the Code) and the Service Reporting Code of Practice 2011/12, (SeRCOP), which is both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and supported by International Financial Reporting Standards (IFRS).

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

2. Changes in Accounting Policies

The Code of Practice in Local Authority Accounting 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council and the heritage assets are now carried in the balance sheet at valuation. The Council has adopted the requirements of *FRS 30 Heritage Assets* with effect from 1st April 2011 in accordance with the CIPFA Code and this requires that an Authority shall, where material, disclose the following items in the financial statements to the extent that the information is known or reasonably estimable:

- Narrative, related to the Council's specific circumstances, explaining that heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30.
- The carrying amount of assets expected to be reclassified as heritage assets, and their classification in the 2010/11 financial statements.
- The expected amount of any revaluation gains and losses recognised on the reclassification, and
- The expected change in depreciation and impairment to be recognised in 2011/12.

In applying the new policy the Council has identified war memorials that the asset were previously held as property, plant and equipment and shall now be recognised as heritage assets. Other heritage assets are not currently recognised in the balance sheet and are valued at insurance value. Full details of heritage assets are set out below in Note 13.

3. Accrual of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefit or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefit or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

4. Cash and Cash Equivalents

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

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

5. Exceptional Items

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

6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

7. Charges to Revenue for Non- current Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- Amortisation of intangible Non-current Assets attributable to the service.

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

8. Employee Benefits

a) Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end.

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

b) Termination benefits

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

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

c) Post employment benefits

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

The Local Government Pension Scheme is accounted for as a defined benefit scheme.

- The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond (as measured by the yield on the iBoxx Sterling Corporates Index, AA over 15 years).

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

- The change in the net pensions liability is analysed into seven components:
 - Current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which employees worked.
 - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in previous years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.
 - Interest Cost - the expected increase in the present value of liabilities during the year as they move a year closer to being paid - debited to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account.
 - Expected return on assets - the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return - credited to the Financing Income and Expenditure line in the Comprehensive Income and Expenditure Account.
 - Gains/losses on settlements and curtailments - the results of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.
 - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.
 - Contributions paid to the Surrey Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities.

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

d) Discretionary benefits

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

Regular valuations are prepared by the professionally qualified actuary appointed by the Surrey Pension Fund. The Balance Sheet discloses the net liability in relation to retirement benefits and

the assessment process used to compile the figures takes account of the most recent actuarial valuation updated to reflect current conditions. Therefore, the figures presented are based on the actuary's latest calculations. The assumptions used by the actuary are in accordance with the Code and are mutually compatible.

9. Events after the Balance Sheet Date

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

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

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

10. Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Trade receivables are recorded at their nominal amount less an allowance for doubtful debts. The Balance Sheet and the notes to the accounts disclose the amount accordingly.

Available-For-Sale Assets

Available- For -sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. All the Available-For-Sale assets held by the Council have fixed and determinable payments and annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

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

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

Changes in the fair value are balanced by an entry in the Available-For-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on the Revaluation of Available-For-Sale Financial Assets. The exception is where impairment losses have been incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-For-Sale Reserve.

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

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

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

11. Government Grants and Contributions

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

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

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

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

When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant or contribution has been received and no conditions remain outstanding at the Balance Sheet date but it has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

12. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to the active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Account. The useful life is deemed to be five years and any gain or loss arising on disposal or abandonment of an intangible asset is posted to the Other Operating expenditure line in the Comprehensive Income and Expenditure Account.

When expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

13. Inventories

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

14. Investment Property

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

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

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

15. Leases

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

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

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

The Council as Lessee

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by

a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Council as Lessor

Where the council grants a finance lease over a property or an item of plant and equipment, the relevant asset is written out of the balance sheet as a disposal and also written off to the comprehensive Income and Expenditure account as part of the gain/loss on disposal.

A gain representing the authority's net investment in the lease is also credited in the comprehensive income and expenditure statement also as part of the gain/loss on disposal (ie netted off against the carrying value of the asset at the time of disposal)matched by a lease(long term debtor) asset in the balance sheet.

Lease rentals are apportioned between a charge for the acquisition of the interest in the property and finance income. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor.

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

16. Overheads and Support Services

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

- Corporate and democratic core – costs relating to the council's status as a multi-functional democratic organisation.
- Non-distributed costs – the cost of discretionary pension benefits awarded to employees retiring early and any impairment losses chargeable on assets held for sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

17. Property, Plant and Equipment

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

Recognition

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

economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets other than by purchase is deemed to be its fair value.

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

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

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

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

Depreciation is calculated on the following bases:

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

Amortisation of intangible assets

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

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

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

Disposals

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

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

Assets that the Council may sell at some point but which do not meet the criteria as set out in this policy, are classified as Surplus Assets Held for Disposal. Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held For Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals in excess of £10,000 are categorised as capital receipts which are credited to the Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

18. Heritage Assets

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

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

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

Notes to the Core Financial Statements

1. Analysis of Major Service Areas Expenditure

Net £,000		Expenditure £000	Income £000	Net £000
	CENTRAL SERVICES TO THE PUBLIC			
333	Elections and Electoral registration	354	2	352
491	General Grants	458	11	447
(77)	Local Land Charges	120	188	(68)
(122)	Council Tax Benefits	6,642	6,479	163
693	Local Tax Collection	46	146	(100)
321	Communications	324	26	298
294	Corporate management Team	3	0	3
153	DS Management Team	1,241	169	1,072
804	Environment	852	26	826
509	Other	973	376	597
3,399		11,013	7,423	3,590
	CULTURAL RELATED SERVICES			
290	Community Safety	374	94	280
3,337	Leisure & Culture	1,111	346	765
285	Open Spaces	640	91	549
543	Property Expenses	500	0	500
634	Recreation & Sport	79	48	31
155	Other	323	836	(513)
5,244		3,027	1,415	1,612
	ENVIRONMENTAL & REGULATORY SERVICES			
1,071	Environmental and Public Health	1,187	268	919
(168)	Cemeteries	111	330	(219)
185	Building Control	450	305	145
1,866	Open Spaces	1,984	230	1,754
3,200	Refuse & Recycling	3,956	1,226	2,730
407	Other	378	285	93
6,561		8,066	2,644	5,422
	PLANNING SERVICES			
1,235	Planning Services	1,479	319	1,160
1,235		1,479	319	1,160
	HOUSING SERVICES			
(94)	Housing Benefits	28,836	28,992	(156)
507	Housing	699	55	644
155	Homelessness	223	198	25
(30)	Private Sector Housing	0	0	0
0	Other	800	359	441
538		30,558	29,604	954
	HIGHWAYS ROADS AND TRANSPORT SERVICES			
(252)	Parking Services	1,547	1,962	(415)
520	Concessionary Fares	1	0	1
72	Other	56	0	56
340		1,604	1,962	(358)
	ADULT SOCIAL CARE SERVICES			
203	Community Care Administration	193	0	193
666	Day Centres	724	242	482
64	Meals on Wheels	178	186	(8)
179	Spelthorne Accessible Transport	218	92	126
(66)	Spelthorne Personal Alarm Network	224	257	(33)
1,046		1,537	777	760
	CORPORATE AND DEMOCRATIC CORE			
982	Corporate Management	1,087	98	989
198	Committee Services and Corporate Governance	300	0	300
583	Democratic Representation and Management	493	1	492
1,899		1,880	99	1,781
(8,274)	Non Distributed Costs and Accumulated Absences Provision	42	84	(42)
(557)	Exceptional Item	0	743	(743)
(8,831)		42	827	(785)
11,431	TOTAL NET COST OF SERVICES	59,206	45,070	14,136

2. Accounting Standards Issued, Not Adopted

The amendments to IFRS 7 -Financial Instruments: Disclosures (transfers of financial assets, issued October 2010 and effective from 1st July 2011), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. Appropriate disclosure could be relevant in circumstances where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

At present, the Council does not contract to transfer any financial assets in this manner and considers the effect of this amendment to the standard to be immaterial.

3. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out on pages 13 to 26, 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

The Council undertook a full review of all of its land and property assets in 2010/11 as part of the transition to International Financial Reporting Standards (IFRS). Three town centre properties where the Council is the lessor were classified and valued as investment properties in 2010/11, resulting in an increase in the value of investment properties of £1.465m and a corresponding increase in the reported Surplus on the Provision of Services. This gain was correctly reversed by a transfer from the General Fund balance in the Movement in Reserves Statement to the Capital Adjustment Account, resulting in no net impact on the reported General Fund balance. There is no effect on net assets and reserves at 1 April 2010.

The Council has subsequently determined that these leases should have been classified as finance leases under IAS 17 'Leases' and recorded in the Council's 2010/11 accounts as financial assets, not investment properties. The value of these financial assets is nil as the leases were granted at a peppercorn rent. The 2010/11 accounts have been restated to correct this classification and valuation error and the amount of the correction for each financial statement line item affected is set out below:

Effect of Prior Period Adjustment of £1.465m on the Primary Statements	Original 2010/11	Restated 2010/11
Movement in Reserves Statement		
Surplus/(deficit) on Provision of Services	10,587	9,122
Balance C/Fwd as at 31 March 2011 (Unusable Reserves)	38,404	36,939
Balance C/Fwd as at 31 March 2011 (Total Authority Reserves)	53,202	51,737
Comprehensive Income and Expenditure Account		
Financing and Investment Income and Expenditure	(1,600)	(135)
Surplus on Provision of Services	(10,587)	(9,122)
Total Comprehensive Income and Expenditure	(26,660)	(25,195)
Balance Sheet		
Investment Properties	1,645	180
Total Long Term Assets	63,586	62,121
Total Net Assets	53,202	51,737
Unusable Reserves (Capital Adjustment Account)	38,404	36,939
Total Reserves	53,202	51,737
Cash Flow Statement		
Net Surplus/(Deficit) on Provision of Services	10,587	9,122
Adjustments to net surplus for non-cash items	(5,562)	(4,097)

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

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material 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,	The effect on the net pension's liability of changes in individual assumptions can be measured. However, the assumptions interact in

	changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	complex ways.
Arrears	At 31 March 2012, the Council had a balance of sundry Receivables for £4.335m and has made a provision of £113k for impairment of doubtful debts. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £113k to be set aside as an allowance.

6. Material Items of Income and Expense

The major item of expenditure included in the Comprehensive Income and Expenditure Account is Housing Benefits which was £29m in 2011/12. However, this expenditure is fully recovered by the receipt of subsidy from central Government, £29m in 2011/12, so the net cost to the Council is minimal.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. 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 hold 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 hold the grants and contributions received towards capital projects for which that Council has met the conditions that would otherwise require the repayment of the monies but which have yet to be applied to meet capital expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The following tables provide an analysis of the movement in the above reserves for the prior year 2010/11 and for 2011/12:

2010/11 Restated	General Fund Balance £000	Capital Grant Unapplied £000	Capital Receipts £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Adjustments primarily involving the Capital Adjustment Account:				
Charges for depreciation and impairment of non-current assets	6,044			(6,044)
Removal of finance lease asset disposal value	7,500			(7,500)
Movement in the market value of investment properties	0			0
Revenue expenditure funded from capital under statute	1,420			(1,420)
Other adjustments	(399)			399
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement		243		(243)
Application of grants to capital financing transferred to the Adjustment Account	(704)	433		271
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	(1,089)		1,439	(350)
Use of the Capital Receipts Reserve to finance new capital expenditure		(486)	(1,337)	1,823
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement :				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	8		(7)	(1)
Revenue Contribution to capital finance	(58)			58
Adjustment primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			9	(9)
Removal of finance lease debtor amount	(14,544)			14,544
Adjustment primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	(7,871)			7,871
Adjustment primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(56)			56
Total Adjustments	(9,749)	190	104	9,455

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

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 2011/12.

Reserve Description	Restated Balance as at 31/03/11	Restated Transfers Out 2010/11	Restated Transfers In 2010/11	Balance as at 31/3/11	Transfers Out 2011/12	Transfers In 2011/12	Balance as at 31/3/12
	£000	£000	£000	£000	£000	£000	£000
General Fund	1,619	(382)	0	1,237		(127)	1,110
Earmarked Reserves:							
Capital Fund	443			443			443
Interest Equalisation	593	(100)		493			493
New Schemes Fund	1,854	(250)		1,604			1,604
Housing Initiatives	7,611			7,611			7,611
Business Improvement	235	(117)	168	286			286
Miscellaneous Reserves	16	(7)		9	(7)		2
Risk Management	10	(10)		0			0
Insurance	118	(68)		50			50
Planning Delivery Grant	150	(100)		50			50
Revenue Carry Forwards	0		239	239			239
Bridge Street	111			111			111
	11,141	(652)	407	10,896	(7)	0	10,889
TOTAL	12,760	(1,034)	407	12,133	(7)	(127)	11,999

9. Other Operating Expenditure

2010/11 £000		2011/12 £000
(7,044)	Finance Lease - Emlsleigh Centre	0
8	Payments to the Government Housing Receipts Pool	0
(7,036)	Total Other Operating Expenditure	0

10. Financing and Investment Income and Expenditure

Restated 2010/11 £000		2011/12 £000
1	Interest payable and similar charges	1
835	Pension interest cost and expected return on pension assets	428
(560)	Finance Lease Income	(560)
(421)	Interest receivable and similar income	(342)
10	Income and expenditure in relation to investment properties and changes in their fair value	7
(135)		(466)

11. Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000
6,757	Council tax income	6,772
4,959	Non domestic rates	3,283
963	Non-ringfenced government grants	1,458
703	Capital grants and contributions	701
13,382		12,214

12. Property, Plant and Equipment

Movement on Balances in 2010/11:

Restated

2010/11	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Total Property, Plant and Equipment £000
Cost or valuation				
At 1 April 2010	44,534	4,178	434	49,146
Additions	78	501		579
Revaluation increases/(decreases) recognised in the Revaluation	7,182	0		7,182
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,884)	0		(8,884)
Other movements in cost or valuation	(215)			(215)
At 31 March 2011	42,695	4,679	434	47,808
Accumulated Depreciation and Impairment				
At 1 April 2010	5,494	1,525		7,019
Depreciation Charge	1,373	649		2,022
Depreciation written out to the Revaluation Reserve	(2,832)	0		(2,832)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	430		430
Other movements in depreciation and impairment	(2,662)	0		(2,662)
At 31 March 2011	1,373	2,604	0	3,977
Net Book Value				
at 31 March 2011	41,322	2,075	434	43,831
at 31 March 2010	39,040	2,653	434	42,127

Movement on Balances in 2011/12:

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

Depreciation

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

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

Capital Commitments

The Council had no major capital commitments at 31 March 2012.

Effect of Changes in Estimates

In 2011/12, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council is required to revalue its Property, Plant and Equipment at least once every five years and a full revaluation of all land and property assets was carried out in March 2011. The valuation was carried out by Campsie in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is a second-hand market or latest prices adjusted for the condition of the asset.

13. Heritage Assets

The 2011/12 Code of Practice on Local Authority Accounting adopts the requirements of *FRS 30 Heritage Assets* and this is the first year that the Council has adopted this standard. Heritage assets are carried at valuation where possible and additional disclosures are required and they are recorded and measured, including the treatment of revaluation gains and losses, in accordance with the Council's policies on property, plant and equipment.

War memorials were re- classified as heritage assets with effect from 1/4/11 and the previous year's accounts have been restated to reflect this. These assets were previously classified as property, plant and equipment and included in the balance sheet under this classification but are now reflected under a separate category in accordance with the CIPFA Code of Practice on Local Authority Accounting. The total book value of war memorials is as follows:

2010/11 £000s	HERITAGE ASSETS War Memorials	2011/12 £000s
	Cost or Valuation	
217	1 April	214
(3)	Depreciation	(2)
214	31 March	212

Depreciation is not required on heritage assets which have indefinite lives. 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 2010/11	Heritage Asset	Location	Valuation 2011/12
£000s			£000s
	War Memorials		
25	Shepperton War Memorial	High Street, Shepperton	25
36	Ashford War Memorial	Church Road, Ashford	36
49	Stanwell War Memorial	High Street, Stanwell	49
49	Cedar Rec War Memorial	Cedars Rec Ground, Sunbury	48
55	Staines War Memorial	Market Square, Staines	54
214	Heritage Assets valued by Professional Valuer (see table above)		212
	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
399	Total - Heritage Assets (at current and insurance values)		397

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

14. 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:

2010/11 Restated £000s	Investment Properties	2011/12 £000s
(70)	Rental Income from properties	(71)
70	Direct operating expenses arising from investment properties	76
0		5

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:

Restated 2010/11 £000s	Investment Properties	2011/12 £000s
	Cost or Valuation	
7,690	Balance at 1 April	180
(10)	Revaluation Adjustment	(2)
(7,500)	Other changes - reclassification as finance lease	0
180		178

15. Intangible Assets

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

31 March 2011 £000		31 March 2012 £000
-	Balance at 1 April	154
154	New capital expenditure	196
0	less Amortisation	(70)
154	Total	280

16. Financial Instruments

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

31 March 2011			31 March 2012	
Long Term £000	Current £000		Long Term £000	Current £000
		Investments		
	3,079	Loans and receivables	-	5,019
3,122	-	Available-for-Sale assets	-	3,041
3,122	3,079	Total Investments	-	8,060
		Debtors		
	2,759	Financial assets carried at contract amounts	-	4,335
-	2,759	Total Debtors	-	4,335
		Borrowings		
	35	Financial liabilities at amortised cost	-	35
-	35	Total Borrowings	-	35
		Creditors		
	3,298	Financial liabilities carried at contract amounts	-	4,416
-	3,298	Total Creditors	-	4,416

Income, Expense, Gains and Losses

31 March 2011				31 March 2012		
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
164	256	420		123	218	341
0	(136)	(136)	0	(76)	(76)	
164	120	284	123	142	265	
			Interest income			
			Decrease in fair value			
			Net Gain for the year			

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 2012 of 0.50% to 2.05% 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 2011			31 March 2012	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
35	35		35	35
0	0	0	0	
		Financial Liabilities		
		Long-Term Creditors		

The fair value of liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date.

31 March 2011			31 March 2012	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
10,123	10,123	Loans and Receivables	8,060	8,060
14,620	14,620	Long-Term Debtors	14,583	14,583

The fair value of the assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

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

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

Nature and Extent of Risks Arising From Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have the funds available to meet its financial commitments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates etc.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Policies and procedures to minimise risk are set out in the annual Treasury Management Strategy Statement and Annual Investment Strategy approved by the Council. These policies cover principles for overall risk management, as well as covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category and the credit criteria in respect of financial assets held by the Council are as detailed below:

- The Council uses the creditworthiness service provided by Arlingclose to assist its selection of suitable counter-parties. This service aims to assess the credit quality of counter-parties and investment instruments by reference to major rating agencies including Fitch, Moody's and Standard and Poor's. This information is also supplemented by credit default swaps data which provides a market indication of the perceived credit risk for individual institutions. This information may give investors advance warning of credit rating downgrades.
- All credit ratings are generally monitored monthly although the Council is alerted to changes in credit ratings by its treasury advisors, Arlingclose as they are released to the market. Downgraded counter-parties are immediately withdrawn from future use.

Investments that no longer meet the Council's minimum criteria are reported to the Chief Finance Officer although where these investments are fixed term deposits, no effective action can be taken until the deposits mature.

- The Council will not solely rely on the Arlingclose service but it will also make use of other sources of generally available information when considering counter-party credit risk. These may include the use of the quality financial press, market data (including credit default swaps, share price, annual reports, statements to the market etc), information on government support for banks and the credit ratings of that government support.
- The Council will only invest in approved counterparties within the UK or approved counterparties from countries with a minimum sovereign rating of A- from Fitch Ratings or the equivalent Moody's or Standard and Poor's rating.

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

The Council's maximum exposure to credit risk in relation to investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's investments and deposits, but there was no evidence as at 31 March 2012 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 2011 £000		31 March 2012 £000
386	Less than three months	1,027
22	Three to six months	42
30	Six months to one year	62
72	More than one year	84
510		1,215

Liquidity Risk

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

Market Risk

Interest rate Risk

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

An external advisor, currently Arlingclose, has been retained to provide analysis of market movements and to assist in investment decisions based on their knowledge of current market conditions and interest rate forecasting. Investments are usually for fixed terms and during the year

the maturity profile of the Council's portfolio shortened considerably due to the adverse conditions in global financial markets.

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

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into setting the annual budget and which is used to update the budget regularly during the year. This allows for any adverse changes to be accommodated. According to this assessment strategy, at 31st March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be that an additional £150k interest would have been received.

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

Price Risk

The Council's current investments include AAA rated euro-sterling bonds and there is an element of price risk because there is an active market for these instruments. The Council does not currently invest in equity shares and is consequently not exposed to losses arising from movements in the price of shares as at 31st March 2012.

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.

17. Receivables

31 March 2011 £000		31 March 2012 £000
1,409	Central Government bodies	1,196
2,873	Other entities and individuals	3,576
(275)	less Provision for Bad Debts	(338)
4,007	Total	4,434

18. Cash and Cash Equivalents

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

2010/11 £000		2011/12 £000
5	Cash held by the Council	5
290	Bank Current Accounts	242
1,770	Short term deposits with banks & building societies	6,418
2,065	Total Cash and Cash Equivalents	6,665

19. Assets Held For Sale

2010/11 £000		2011/12 £000
350	Balance outstanding at 1 April	0
(350)	Assets sold	0
0	Balance outstanding at 31 March	0

20. Payables

31 March 2011 £000		31 March 2012 £000
75	Central Government bodies	1,435
593	Other Local Authorities	617
4,042	Other entities and individuals	2,463
4,710	Total	4,515

21. Provisions

No provisions were made during the year.

22. Usable Reserves

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 9.

23. Unusable Reserves

Restated 31 March 2011 £000		31 March 2012 £000
13,926	Revaluation Reserve	13,316
65	Available For Sale Reserve	(11)
30,411	Capital Adjustment Account	29,817
14,544	Deferred Capital Receipts Reserve	14,544
(21,806)	Pensions Reserve	(28,286)
(16)	Collection Fund Adjustment Account	(10)
(185)	Accumulated Absences Account	(165)
36,939	Total Unusable Reserves	29,205

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.

2010/11 £000		2011/12 £000
7,186	Balance at 1 April	13,926
10,014	Upward revaluation of assets	0
(2,663)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
(611)	Difference between fair value depreciation and historic cost depreciation	(610)
0	Amount written off to the Capital Adjustment Account	0
13,926	Balance at 31 March	13,316

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.

2010/11 £000		2011/12 £000
201	Balance at 1 April	65
-	Upward revaluation of investments	-
(136)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(76)
65	Balance at 31 March	(11)

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.

2010/11 £000		2011/12 £000
42,809	Balance at 1 April 2011	30,411
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
130	Transferred from Government Grants Deferred Account	0
(6,044)	Charges for depreciation and impairment of non-current assets	(2,134)
(7,500)	Finance lease asset Disposal	0
23	Other depreciation adjustments	0
(1,420)	Revenue expenditure funded from capital under statute	(929)
(350)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
610	Adjusting amounts written out of the Revaluation Reserve	610
28,258	Net written out amount of the cost of non-current assets consumed in the year	27,958
	Capital financing applied in the year:	
1,337	Use of the Capital Receipts Reserve to finance new capital expenditure	1,183
272	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	335
486	Application of grants to capital financing from the Capital Grants Unapplied Account	260
58	Capital expenditure charged against the General Fund balance	84
2,153		1,862
0	Movement in the value of Investment Properties	(3)
30,411	Balance at 31 March 2012	29,817

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.

2010/11 £000		2011/12 £000
(38,536)	Balance at 1 April	(21,806)
8,859	Actuarial gains and losses on pension assets and liabilities	(6,294)
5,740	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,114)
2,131	Employer's pension contributions and direct payments to pensioners payable in the year	1,928
(21,806)	Balance at 31 March	(28,286)

Deferred Capital Receipts Reserve

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

2010/11 £000		2011/12 £000
9	Balance at 1 April	14,544
(9)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
14,544	Finance Lease Debtor	0
14,544	Balance at 31 March	14,544

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
72	Balance at 1 April	16
(56)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5)
16	Balance at 31 March	11

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.

2010/11 £000		2011/12 £000
186	Balance at 1 April	185
(1)	Amounts accrued at the end of the current year 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	(20)
185	Balance at 31 March	165

24. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
9,122	Net surplus/(deficit) from Operating Activities	(1,456)
	Adjusted for non cash items:	
6,044	Depreciation and Impairments	2,134
0	Gains on investment properties	3
(7,871)	Transfers to/from Reserves	186
(7,044)	Recalssification of finance lease	0
4,751	Movement in debtors/creditors	(680)
23	Other financing	11
5,025	Net Cash Flows from Operating Activities	198

25. Statement of Cash Flows – Investing Activities

2010/11 £000		2011/12 £000
	Balance at 1 April	
669	Purchase of property, plant and equipment	819
168,707	Purchase of short-term and long-term investments	196,626
0	Other payments for investing activities	0
(359)	Proceeds from the sale of property, plant and equipment and investment properties	0
(166,709)	Proceeds from short-term and long-term investments	(201,630)
(114)	Other receipts from investing activities	(217)
2,194	Net cash flows from investing activities	(4,402)

26. Statement of Cash Flows – Financing Activities

2010/11 £000		2011/12 £000
	Balance at 1 April	
3,301	Cash receipts from short and long-term borrowing	1
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
(4,800)	Repayments of short and long-term borrowing	(1)
0	Other payments from financing activities	0
(1,499)	Net cash flows from financing activities	0

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2011/12, (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;

2010/11									
Cabinet portfolios Income and Expenditure	Communications	Comm Safety	Finance	Environment	Health	Planning	Economic	Young People	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(74)	(468)	(293)	(1,146)	(754)	(984)	(2,756)	(1,020)	(7,495)
Government grants	0	0	(138)	(8)	(115)	(34,022)	(11)	0	(34,294)
Total Income	(74)	(468)	(431)	(1,154)	(869)	(35,006)	(2,767)	(1,020)	(41,789)
Employee expenses	449	512	3,712	2,317	1,422	2,427	821	362	12,022
Other service expenses	536	1,224	1,224	1,731	1,090	34,438	1,147	2,036	43,426
Support service recharges	0	0	0	0	0	0	0	0	0
Total Expenditure	985	1,736	4,936	4,048	2,512	36,865	1,968	2,398	55,448
Net Expenditure	911	1,268	4,505	2,894	1,643	1,859	(799)	1,378	13,659

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

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.

2010/11		2011/12
£000		£000
13,659	Net expenditure in the Cabinet portfolio analysis	12,449
6,044	Depreciation and impairments	2,134
326	Capital Enhancements	113
1,420	Capital Expenditure by statute	817
(1,612)	Capital receipts and grants received & used for financing	(1,833)
416	Net current cost of retirement benefits	246
(8,271)	Pension Past Service Credit	0
560	Finance lease debtor Income	560
(2)	Accumulated absences provision	(19)
(53)	Support service recharges	(71)
(500)	Expenditure between portfolio report and accounts closed	(260)
(161)	Exceptional item - Right to buy interest	0
(395)	Exceptional item - VAT reimbursement	0
11,431	Cost of Services in Comprehensive Income and Expenditure Statement	14,136

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.

2010/11 £000		2011/12 £000
13,659	Net Expenditure in the Cabinet Portfolio analysis	12,449
6,044	Depreciation	2,134
326	Capital Enhancements	113
(2)	Accumulated absences provision	(19)
(500)	Expenditure between portfolio report and accounts closed	(260)
(8,271)	Statement adjustments	0
(161)	Exceptional Item - Right to buy interest	0
(395)	Exceptional Item - Vat reimbursement	0
560	Net investment in finance lease	560
(7,044)	Removal of Fixed asset relating to the finance lease	0
8	Payments to the Government housing pool	0
835	Net Pension Interest cost	428
1	Interest paid	1
(53)	Support service recharges	(71)
(350)	Gain on disposal of fixed assets	0
14	Other Miscellaneous Adjustments	0
(421)	Investment Interest Income	(342)
10	Income, Expenditure and change in fair value of investment properties	7
(703)	Recognised capital grants and contributions	(701)
(6,757)	Council tax	(6,772)
(4,959)	National non -domestic rates	(3,283)
(720)	Revenue support grant	(1,015)
(243)	Non service related government grants	(443)
(9,122)	(Surplus)/Deficit of Provision of Services	1,456

28. Members Allowances

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

2010/11 £000		2011/12 £000
206	Allowances	235
5	Expenses	5
211	Total	240

29. 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	115,441	0	0	0	115,441	18,527	133,968
Head of Customer/Office Services	74,150	0	61,057	0	135,207	6,737	141,944
Community/Corporate services	70,119	0	59,967	0	130,086	6,737	136,823
Assistant Chief Executive. B.Harris	77,815	0	83,043	2,295	163,153	8,585	171,738
Assistant Chief Executive	72,956	0	0	0	72,956	11,484	84,440
Building Surveyor & Contacts Manager	27,532	0	53,818	0	81,350	346	81,696
Assistant Chief Executive	63,991	0	0	4,757	68,748	11,484	80,232
Assistant Chief Executive	61,884	0	0	0	61,884	9,750	71,634
Head of Corporate Governance	67,961	173	0	0	68,134	10,470	78,604
Deputy Chief Executive (6 months only)	46,784	17	0	0	46,801	7,175	53,976

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

Remuneration Band (inc Salary and Benefits)	Number	
	2010/11	2011/12
125,000 and above		3
120,000 - 124,999		
115,000 - 119,999		1
110,000 - 114,999	1	
105,000 - 109,999		
100,000 - 104,999		
95,000 - 99,999		
90,000 - 94,999		
85,000 - 89,999	1	
80,000 - 84,999		1
75,000 - 79,999		
70,000 - 74,999	2	1
65,000 - 69,999	2	2
60,000 - 64,999	1	4
55,000 - 59,999	6	1
50,000 - 54,999	5	5
	18	18

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	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20,000	4	5			4	5	53,397	27,934
£20,001-£40,000	2	4		1	2	5	46,420	136,371
£40,001-£60,000		2				2		113,802
£60,001-£80,000		1				1		61,057
£80,001-£100,000		1				1		83,043
£100,001-£150,000								-
Total	6	13	0	1	6	14	99,817	422,207

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £422,207 (£99,817 in 2010/11) as set out above. Of this total, £83,043 is payable to Assistant Chief Executive in the form of compensation for loss of office, as disclosed in Note 29. The remaining £339,165 is payable to 1 officer from Building Control Services, 1 officer from Financial Services, 1 officer from Revenues, 3 officers from the Secretariat, 2 officers from Customer Services, 1 officer from Office Services, 1 officer from Streetscene, 1 Head of Customer and Office Services, 1 officer from Independent Living, and 1 Head of Community Safety and Corporate Services who were made redundant as part of the Authority's rationalisation of these services.

30. 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:

2010/11 £000		2011/12 £000
111	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	110
(8)	Fees payable to KPMG in respect of statutory inspections	0
22	Fees payable to KPMG for the certification of grant claims and returns for the year	19
1	Fees payable in respect of other services provided by other auditors during the year	0
126	Total	129

31. Grant Income

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

2010/11 £000		2011/12 £000
	Taxation and Non Specific Grant Income	
4,959	National Non Domestic Rate (NNDR)	3,283
720	Revenue Support Grant (RSG)	1,015
243	Other Revenue Grants	443
5,922	Total	4,741
	Credited to Services	
33,358	Housing Benefits	35,468
135	National Non Domestic Rates	134
303	Other grants	50
33,796	Total	35,652
	Capital Grants Receipts in Advance	
272	Specific Capital grant (SCG)	335
311	Other grants	0
120	Contributions	260
703	Total	595

32. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council

might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

Members of the Council have direct control over the Council's financial and operating policies. During 2011/12 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 2011/12 there were no related party transactions between the Council and senior officers.

33. 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:

2010/11 £000	CAPITAL FINANCING REQUIREMENT	2011/12 £000
0	Opening Capital Financing Requirement	0
	Capital investment	
733	Property, Plant and Equipment	737
0	Investment Properties	0
0	Intangible Assets	196
1,420	Revenue Expenditure Funded from Capital under Statute	929
2,153	Total Capital Investment	1,862
	Sources of Finance	
(1,337)	Capital Receipts	(1,183)
(758)	Government Grants and Contributions	(595)
(58)	Sums set aside from Revenue	(84)
0	Direct Revenue Contributions	0
(2,153)	Total Sources of Finance	(1,862)
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.

2010/11	CAPITAL EXPENDITURE AND FINANCING	2011/12
£,000	Housing	£,000
636	Improvement Grants	700
100	Grants to Housing Associations	15
736		715
	Leisure	
228	Parks and Recreation Grounds	50
-	Walled Garden	28
78	Bowls Club Management	11
306		89
	Community care	
20	Community Alarm Systems	-
9	Day Centres	10
29		10
	Highways and Transportation	
22	Car Parks	89
63	Verge Maintenance Vehicles	-
85		89
	Environmental Services	
84	Refuse Collection & Recycling	347
138	Environmental Initiatives	119
222		466
	Other	
508	Town Centre Improvement Projects	96
222	Computer Developments	364
-	Knowle Green	33
45	Feasibility Studies and Capital Salaries	-
775		493
2,153	TOTAL CAPITAL EXPENDITURE	1,862
	Summary of Financing	
1,337	Capital Receipts	1,183
272	Specific Government Grants	335
486	Other Grants and Contributions	260
58	Revenue Reserves	84
2,153	TOTAL CAPITAL FINANCING	1,862

34. Leases

Council as lessee

Operating Leases

Expenditure on operating leases in 2011/12 was £1,026,806 (2010/11 £916,683)

Expenditure on an arrangement within the grounds maintenance contract which has been classified as an operating lease was valued at £123,500 in 2011/12 and £129,157 in 2010/11. 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:

2010/11 £000		2011/12 £000
565	Not later than one year	126
39	Later than one year and not later than five years	412
92	Later than five years	83
696		621

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;

2010/11 £000		2011/12 £000
163	Not later than one year	6
34	Later than one year and not later than five years	86
128	Later and five years	129
325		221

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 2011-12 £0 contingent rents were receivable by the Council (2010/11 £0).

Council as Lessor

Finance Leases

2010/11 £000		2011/12 £000
14,544	Finance lease debtor (net present value of minimum lease payments):	14,544
123,216	Unearned finance income	122,656
3,830	Unguaranteed residual value of property	3,830
141,590	Gross investments in the lease	141,030

Gross Investment in the Lease 31-Mar-11 £000	Gross Investment in the Lease 31-Mar-12 £000		Minimum Lease Payments 31-Mar-11 £000	Minimum Lease Payments 31-Mar-12 £000
560	560	Not later than one year	560	560
2,240	2,240	Later than one year and not later than five years	2,240	2,240
138,790	138,230	Later than five years	134,960	134,400
141,590	141,030		137,760	137,200

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.

35. Impairment Losses

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

There were no impairment losses in 2011/12 (£430k in 2010/11).

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2010/11 £000		2011/12 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
1,569	Current service costs	1,327
(8,287)	Past service costs	28
143	Settlements and Curtailments	331
	Financing and Investment Income and Expenditure	
4,739	Interest cost	4,198
(3,904)	Expected return on scheme assets	(3,770)
(5,740)	Total Post Employment Charged to the Surplus or Deficit on the Provision of Services	2,114
	Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	
8,859	Actuarial gains and losses	(6,294)
3,119	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(4,180)
	Movement in Reserves Statement	
	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	
5,740	Actual amount charged against the General Fund Balance for pensions in the year:	(2,114)
2,131	Employers' contributions payable to the scheme	1,928

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of the present value of the scheme liabilities (defined benefit obligation):

2010/11 £000	Funded Liabilities: Local Government Pension Scheme (LGPS)	2011/12 £000
93,230	Opening Balance at 1 April	77,118
1,569	Current Service Cost	1,327
4,739	Interest Cost	4,198
490	Contributions by scheme participants	462
(11,257)	Actuarial gains and losses	3,519
(3,293)	Benefits paid	(3,524)
(8,287)	Past service costs	28
(216)	Entity combinations	(214)
143	Curtailments	331
77,118	Closing Balance at 31 March	83,245

Reconciliation of the fair value of the scheme plan assets:

2010/11 £000		2011/12 £000
54,694	Opening Balance at 1 April	55,312
3,904	Expected rate of return	3,770
(2,398)	Actuarial gains and losses	(2,775)
1,915	Employers contributions	1,714
490	Contributions by scheme participants	462
(3,293)	Benefits paid	(3,524)
55,312	Closing Balance at 31 March	54,959

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

The actual return on scheme assets in the year was £1,004,000 (2010/11: £4,849,000).

Scheme History

Present value of liabilities in the Local Government Pension Scheme	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Fair value of assets in the scheme	52,192	39,189	54,694	55,312	54,959
Present value of Defined Benefit Obligation	(63,186)	(61,359)	(93,230)	(77,118)	(83,245)
Surplus/(Deficit) in the scheme	(10,994)	(22,170)	(38,536)	(21,806)	(28,286)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £28,286,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for

funding the deficit mean that the financial position of the Council remains healthy and the deficit will be made good by increased contributions over the remaining working life of employees (i.e. before payments become due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £1,551,000

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that are payable in future years dependant on assumptions about mortality rates, salary levels etc. The fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2012.

The principal assumptions used by the actuary have been:

2010/11		2011/12
	Long-term expected rate of return on assets in the scheme:	
%		%
7.50	Equity Investments	6.30
4.90	Bonds	3.90
5.50	Property	4.40
4.60	Cash	3.50
Years	Mortality assumptions:	Years
	Longevity at 65 for current pensioners:	
21.90	Men	21.90
24.00	Women	24.00
	Longevity at 65 for future pensioners:	
23.90	Men	23.90
25.90	Women	25.90
%	Other assumptions:	%
2.80	Rate of inflation	2.50
5.10	Rate of increase in salaries	4.80
2.80	Rate of increase in pensions	2.50
5.50	Rate of discounting scheme liabilities	4.80
25.00	Take-up of option to convert annual pension to retirement lump sum	25.00

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

31 March 2011 £000		31 March 2012 £000
76	Equity investments	73
16	Debt instruments	18
8	Other assets	9
100		100

History of Experience Gains and Losses

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

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(13.54)	(40.88)	25.41	(4.34)	(5.05)
Experience gains and losses on liabilities	(5.06)	(0.04)	0.18	(6.22)	1.59

37. Contingent Liabilities

No specific provision has been made for the following in the accounts:

- Mortgage guarantees on shared ownership properties which will only occur if the mortgagees default on payment and any charge to the Council will be accounted for at that time.
- Prior to 1992 the Council's insurance was provided by MMI which went into administration. MMI are currently involved in legal actions with other parties in respect of asbestos claims and if the courts find against MMI there is a possibility that this would trigger a call down on local authorities. This could potentially expose the Council to outstanding claims of £596,000. However, MMI maintain that their Balance Sheet is sufficiently robust for them to anticipate a solvent run down.

38. Contingent Assets

The Council is waiting for a revised proposal from SLM Ltd regarding replacement of fitness kit for Spelthorne Leisure Centre. This may result in additional management fee income from £11,000 - £30,000 subject to agreement in the next financial year. No specific provision has been made for this in the accounts.

39. Events after the Balance Sheet Date.

There are no post balance sheet events.

Collection Fund

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

2010/11 £000		2011/12 £000
	Income	
53,976	Income from Council Tax	54,182
	Transfers from the General Fund:	
5,867	Council Tax Benefits	5,813
59,843		59,995
38,165	Income collectable from Business ratepayers	40,374
	Contributions:	
597	Towards previous year estimated Collection Fund Deficit	83
98,605	Total Income	100,452
	Expenditure	
59,863	Precepts and demands from County and Police	59,880
	Business Rate:	
37,689	Payment to the National Pool	40,054
135	Costs of Collection	134
	Impairment of debts/appeals:	
621	Write off of uncollectable amounts	390
(182)	Allowance for impairment	(55)
98,126	Total Expenditure	100,403
(625)	Balance brought forward 1st April 2011	(146)
479	Movement in Fund	49
(146)	Balance carried forward 31st March 2012	(97)

Breakdown of the balance on the Collection Fund:

2010/11 £000		2011/12 £000
(110)	Surrey County Council	(73)
(20)	Surrey Police	(13)
(16)	Spelthorne Borough Council	(11)
(146)		(97)

Council Tax

To calculate the total yield from the council tax it is necessary to convert the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) to an equivalent number of band D dwellings. The calculation for 2011/12 is as follows:

Valuation Band	Number of Chargeable Dwellings	Ratio	Equivalent Band D dwellings	Estimated Yield at £1,482.20	£
A	335	6/9	223	330,531	
B	1264	7/9	983	1,457,003	
C	7095	8/9	6307	9,348,235	
D	12776	1	12776	18,936,587	
E	8989	11/9	10986	16,283,449	
F	4156	13/9	6003	8,897,647	
G	1899	15/9	3165	4,691,163	
H	92	18/9	184	272,725	
Total	36606		40627	60,217,339	
Allowance for losses on collection and appeals			244	361,657	
Council Tax base and expected yield			40871	60,578,996	

Non-Domestic Rates

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

The non-domestic rateable value as at 31 March 2012 was £103,626,270 and the multiplier for 2011/12 was £0.433

Precepts and Demands on the Collection Fund

2010/11 £'000	Precepts and Demands	2011/12 £'000
45,088	Surrey County Council	45,088
8,018	Surrey Police	8,018
6,757	Spelthorne BC	6,774
59,863		59,880

Distribution of Surplus

2010/11 £'000	Distribution of Deficit	2011/12 £'000
(458)	Surrey County Council	(64)
(83)	Surrey Police	(11)
(56)	Spelthorne BC	(8)
(597)		(83)

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 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 2012 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

- The Council publishes on an annual basis its Corporate Plan. The Council's current Corporate Plan 2008-11 is published on the website http://www.spelthorne.gov.uk/your_council-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

- Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective.

Reviewing our vision and its implications for our governance arrangements

- The Council regularly reviews the authority's vision and its implications for the authority's governance arrangements. The Council reviewed and updated in 2010 a new set of Corporate priority themes. Progress towards the achievement of the objectives will be monitored through the performance management system and by the Performance Management and Review Committee. Following the May 2011 election, the new Cabinet are in the process of reviewing the Council's priorities.
- The Council engages with the public and translates the community's priorities into a Community Plan in conjunction with our partners

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

- Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.
- The Council undertakes when appropriate consultation exercises and uses focus groups and a wide variety of other methods to obtain feedback from the community.

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

- Spelthorne Borough Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Council operates Executive arrangements with a Leader and Cabinet (from 2011-12 it is operating the Strong Leader model whilst retaining a Cabinet) who recommend the major policies and strategies to the Council. The Cabinet is also responsible for most of the non-regulatory functions of the Council. The Executive is made up of the Leader and eight other cabinet members, who are all appointed by the Council. Major decisions which affect significant proportions of the community are published in advance in the Cabinet's Forward Plan, and will always (unless there are exceptional circumstances) be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.
- There is one scrutiny committee ie. the Overview and Scrutiny Committee which reviews decisions and actions taken by the Cabinet and other Council functions. A "call-in" procedure allows scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The scrutiny committee also reviews, monitors and scrutinises the performance of the Council in relation to its policy objectives, performance targets, action plans and relationships with external partnership bodies and organisations. Within its community leadership functions, the scrutiny powers have been exercised by the Council in relation

to the work of other partner organisations which affect the whole of the Spelthorne Community.

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

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

The standards of conduct and personal behaviour expected of members and officers of Spelthorne Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

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

Whistle-blowing and receiving and investigating complaints from the public

- Confidential reporting arrangements are in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.
- The Council handles complaints effectively. Following on the work of the Code of Corporate Governance Task Group, the Council reviewed its corporate complaints process during 2008-09 to ensure that it can respond to the ever increasing expectations of the public for excellent public and customer service. Improvement recommendations were implemented. Following the bedding down of the new Customer Services structure officers will review and update the customer complaints processes, this will be reviewed during 2012-13 .

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

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

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

- Spelthorne Borough Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.
- Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation. Reminders are provided for staff on key policies which protect them and the public, for example the whistle-blowing policy and the Money Laundering Regulations.
- The Council has a designated Monitoring Officer who is the Head of Corporate Governance who is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and the Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports have been necessary in recent years.

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

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

Financial Management

- The financial management of the Council is conducted in accordance with the financial rules set out in Part 4 of the Constitution, which includes the financial regulations. The Council has a designated officer who fulfils the role of the Section 151 Officer in accordance to the Local Government Act 1972. The Council has in place a medium term financial strategy.
- Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.
- Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2011/12 included:

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

Effectiveness of Internal Audit

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

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

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

Compliance

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

Performance and Risk Management

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources. Performance against targets is reported regularly to Overview and Scrutiny Committee and performance against targets is maintained online on the Council's performance management system available for review by Councillors and officers.
- The Chief Finance Officer is currently the authority's risk champion. Audit Services support the risk management process through the risk based audit approach and by

assisting services in the review of annual risk assessments. Risk management is built into the Council's corporate project methodology.

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

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

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

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

The ethical conduct of members and officers of this Council

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

Review of effectiveness

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

The former Performance Management and Review Committee set up a Code of Corporate Governance Task Group (the Task Group) which reviewed during 2011-12 the Council's governance arrangements and assessed them against the six CIPFA/SOLACE core principles underpinning the then new Code of Corporate Governance framework issued by CIPFA/SOLACE. The six principles are:

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

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

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

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

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

- The authority
- The Cabinet
- The audit committee and overview and scrutiny committee
- The standards committee
- Internal audit
- Other explicit review/assurance mechanisms.

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

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

Significant governance issues

The overall opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Internal Audit during 2011/12 which is summarised in summarised in the Annual Audit Report.

Shortcomings identified with a significant level of risk attached have been reported to management and transferred onto the Council's Corporate Risk Register for quarterly monitoring. The Head of Audit has stated that they are satisfied that management has undertaken to address any control weaknesses

The issues reported in last year's Annual Governance Statement with respect to review the Council Corporate Risk Register and partnership work have been addressed by management but will be kept under review

Cllr F.Ayers

R.Tambini

.....
Cllr Frank Ayers
Leader of the Council

.....
Roberto Tambini
Chief Executive

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

We have audited the financial statements of Spelthorne Borough Council for the year ended 31 March 2012 on pages 9 to 66. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, set out on page 8, the Chief Finance Officer is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2012 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 2011/12.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 67 to 74 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

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

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

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

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

Conclusion

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

Certificate

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

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

28 September 2012

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.

BEST VALUE ACCOUNTING CODE OF PRACTICE (BVACOP)

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENCY

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

CONTINGENT LIABILITIES

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

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

A local tax levied by local authorities on its residents.

PAYABLE

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

CURRENT ASSET

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

CURRENT LIABILITY

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

CURRENT SERVICE COST (PENSIONS)

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

CURTAILMENT

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

- (a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- (b) termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

RECEIVABLE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions (fixed as an amount or as a percentage of pay) and will have no 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.

POST BALANCE SHEET EVENTS

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

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and
- (b) the accrued benefits for members in service on the valuation date.

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

PROVISIONS

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

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

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

RELATED PARTY TRANSACTION

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

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money

value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVALUATION RESERVE

Unrealised gains and losses on revaluation of fixed assets.

REVENUE EXPENDITURE/INCOME

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

REVENUE SUPPORT GRANT

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

SCHEME LIABILITIES

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

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits;
- and
- (c) the transfer of scheme assets/liabilities relating to a group of employees leaving the scheme.

STATEMENT OF STANDARD ACCOUNTING PRACTICES (SSAP)

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

STOCKS

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be

matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;

STRAIGHT-LINE BASIS

Dividing a sum equally between several years.

USEFUL LIFE

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

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

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