



# **Spelthorne Borough Council**

## **Annual Report & Statement of Accounts 2007-2008**



**INVESTOR IN PEOPLE**

T Collier  
Chief Financial Officer

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## **Financial Review**

### **By the Chief Financial Officer**

The Statement of Accounts is presented in accordance with the Code of Accounting Practice as required by the Accounts and Audit Regulations 2006.

Its purpose is to give electors, other local taxpayers, members, employees and other interested parties, clear information about the Authority'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 following paragraphs provide a brief explanation of the statements which make up the Statements of Accounts.

The Code of Accounting Practice for 2007 has made several changes to bring the accounts more into line with generally accepted accounting practice. In particular the Fixed Asset Restatement Reserve has been replaced by a Revaluation Reserve and the Capital Financing Account replaced by the Capital Adjustment Account. New accounting requirements have been introduced for accounting for the valuation of available for sale financial instruments.

The core financial statements comprising: Income and Expenditure Account; Statement on Movement of General Fund Balance; Statement on Realised Gains and Losses; the Balance Sheet and Cash Flow Statement have been grouped together and the notes relating to those statements are likewise grouped together.

The accounts identify two categories of expenditure. Revenue is the day to day cost of providing services, which is met by Council Tax, charges for services and government grants. The other category is Capital Expenditure, which is where the Council purchases a fixed asset (which provides benefits to the Council for more than one year) or spends money on an existing asset to improve its value and to increase its life.

**The Income and Expenditure Account (page 14)** is the Council's main revenue account, covering income and expenditure on all services. The Income and Expenditure Account brings together all of the functions of the authority and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such it is intended to show the true financial position of the Council according to generally accepted accounting practice, before allowing for certain accounting treatments required by statute in the process of calculating council tax and for the ability to divert particular expenditure to be met from capital resources.

The outturn on the Income and Expenditure Account will be different to the movement on the General Fund balance for the year, because of the impact of statutory adjustments relating to capital accounting entries, charges for financing capital expenditure and employer's contributions to pension fund.

Any substantial deficit on the account (2007-08 deficit of £2.9m) does not necessarily mean that immediate action is needed to cut expenditure or raise council tax. The Income and Expenditure Statement needs to be read in conjunction with the Statement of Movement on General Fund Balance.

The Council's Revenue expenditure is financed from Central Government grants and local taxpayers (through the Council Tax). The budget requirement for services before investment income and use of reserves for 2007/08 was £14,311,400. The net expenditure approved for services totalled £11,658,500, of which £843,900 was to be financed from reserves, thereby reducing the budget requirement and ultimately the call on Council Taxpayers.

An analysis of the Council's total gross revenue income and expenditure is shown on **page 20**.

Financial Reporting Standard (FRS) 17 requires authorities to provide clear information on the impact of the authority's obligation to fund the retirement benefits of its staff. Information has been received from the Actuary on the latest position as at March 2008, showing a deficit of £11.0 million for this Authority. It must be emphasised that this calculation has been made for the specific requirements of FRS 17 and should not be used for any other purpose.

**Statement of Movement on General Fund Balance (page 15)**

The income and expenditure statement is based on generally accepted accounting principles and does not reflect statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions. The Statement of Movement on the General Fund and Reconciliation Statement, shown on **pages 15-16**, provides the necessary reconciliation and summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance to show the underlying movement on the Council's General Fund Reserve (general contingency reserve).

The transfer from reserves was in accordance with the Council's commitment to contain expenditure at the level approved within the Financial Strategy to keep expenditure to a maximum of £0.843m for 2007/08 (within which the element for general support of the overall revenue budget was reduced from £790,000 to £290,000).

The outturn on the General Fund has resulted in a £159k net increase in the balance carried forward of the General Fund Reserve.

**The Statement of Recognised Gains and Losses (page 17)** brings together all the recognised gains and losses of the Council during the financial year, identifies those which have and have not been recognised in the Income and Expenditure Account and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefit

**The Balance Sheet** summarises the assets and liabilities of all the Council's activities. It shows the balances and reserves at the Council's disposal and the fixed and net current assets employed in its operations. The Council does not have any long term debt. The Balance Sheet is summarised on **page 18**.

**The Cash Flow Statement** gives the cash position of the Council for the year and shows that there was a net cash outflow during the year of £681,633 (net cash inflow £354,000 in 2006-07). The Cash Flow Statement is on **page 19**.

**The Collection Fund:** The Local Government Finance Act 1988 requires each charging Authority 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. The Collection Fund is summarised on **page 44**.

This Authority's levy on the Collection Fund was set at £153.80 per Band D property (an increase of 3.95%) after taking account of a transfer of £0.843m from reserves and a transfer of £7,724 from the Collection Fund following higher than expected collection rates for Council Tax during the previous year.

All the financial statements include comparable figures for the previous financial year.

## Capital Expenditure

Details of the Council's capital spending and the resources used to finance this are shown on **page 39**. The cost of using capital assets is reflected in the revenue accounts by way of depreciation charged to services.

The Local Government Act 2003 introduced a new system of capital finance from 1 April 2004. Under the new system, individual authorities are responsible for deciding their level of affordable borrowing, having regard to the *CIPFA Prudential Code for Capital Finance in Local Authorities*, which has been given legislative backing. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment purposes to do so.

The introduction of the new arrangements allowed for the dismantling of the complex regulations that previously governed local authority capital finance. In contrast, the prudential system is based on principles rather than prescription and the Council is required to annually calculate a series of prudential indicators to ensure that its capital investment plans are prudent and affordable in the longer term.

The Council has taken the view that it will use capital receipts to fund its capital programme, but may in the future consider prudential borrowing for specific capital projects.

The Council prepares a 4 year capital programme on a rolling basis, which is then reviewed each year.

The capital programme is split into two categories, the Housing Investment Programme (HIP) and the other services programme. The HIP consists of renovation and renewal grants made to individuals and tenants of housing associations. This capital expenditure is directed at achieving the Council's housing objectives. The other services capital programme relates to non-housing activities of the Council including information technology, vehicle replacement and repairs/improvements of major assets.

The largest single capital scheme undertaken by the Council during 2007-08 was the completion of the final phase 2 of the leisure centres improvements, which resulted in improved wet side facilities and new sports hall flooring. A total of £1.4m was spent on phase 2, bring the total spend on the improvements over the 2006-07 to 2007-08 period to £2.7m. The other large item of capital expenditure in 2007-08 was the £1.1m spent on purchasing and distributing almost seventy thousand wheeled bins as part of the implementation of alternate weekly collection of refuse and recycling materials in September 2007. Following the implementation of alternate weekly collection the Council has raised its recycling rate from 19% to over 30%.

The following statement shows the total gross capital expenditure for the year and how it has been financed.

	<b>£000</b>
Total Capital Expenditure	<b>5,268</b>
Financed by:	
Capital Grant	242
Capital Receipts	4,862
Contributions from external organisations	142
Revenue Resources & Reserves	22
<b>Total</b>	<b>5,268</b>

## 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.

Interest receipts were £260,000 less than we had anticipated at the original budget, largely due to an anticipated capital receipt for the Bridge Street site not being realised during 2007-08.

<b>Comparison of Actual Expenditure 2007/08 to Budget</b>			
	<b>Original Budget 2007/08</b>	<b>Actual Expenditure 2007/08</b>	<b>Variance Actual to Original Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross Expenditure	44,133	47,293	3,160
Income - Government Grants	(22,659)	(24,536)	(1,877)
Income - Other	(6,350)	(6,914)	(564)
<b>NET SERVICE EXPENDITURE</b>	<b>15,124</b>	<b>15,843</b>	<b>719</b>
Asset Management Account	(963)	(2,195)	(1,232)
Building Maintenance	150	166	16
<b>REVISED SERVICE EXPENDITURE</b>	<b>14,311</b>	<b>13,814</b>	<b>(497)</b>
Interest on Balances	(1,809)	(1,542)	267
Transfer from Earmarked Reserves	(554)	(472)	82
Contribution from other Reserves	(290)	(301)	(11)
<b>BUDGET REQUIREMENT</b>	<b>11,658</b>	<b>11,499</b>	<b>(159)</b>
<b>Financed by:</b>			
Revenue Support Grant and Non Domestic Rates	5,516	5,516	0
Precept on Collection Fund	6,142	6,142	0
<b>BUDGET REQUIREMENT</b>	<b>11,658</b>	<b>11,658</b>	<b>0</b>

## Financial Strategy Review

The Council reviewed its financial strategy in November 2003 and this has formed the basis of the preparation for the spending plans for the period April 2004 to March 2008. The strategy was reviewed and updated in November 2007.

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

- A continuing need to reduce dependence on reserves
- The importance of maximising investment income
- The increasing deficits identified over the Outline Budget period
- That under the Comprehensive Spending Review 2007 future grant settlements were likely to be poor
- The risk of net adverse financial impact on the Council of the extension of concessionary fares from 1<sup>st</sup> April 2008 to enable over 60s travel free by bus across the Country.
- The increasing pressure to spend, particularly on the Council's priorities, as well as government initiatives such as recycling. 2007-08 saw the implementation of the Council's alternate weekly collection scheme for refuse and recyclables. Expenditure in 2007-08 includes both revenue implementation costs especially relating to marketing of the new scheme and capital costs relating to the purchase of wheeled bins. As a result of the scheme there has been a step increase in the borough's recycling rate rising from 19% to over 30% which means we have met our current recycling target but we need to work to continue to raise the recycling rate.
- The level of council tax required to support spending proposals and the government's focus on council tax levels means that there is a chance of capping

The Council reaffirmed its commitment to reduce dependence on reserves, and in 2007-08 relative to 2006-07 reduced by £0.5m in its budget estimates use of general reserves to support the overall revenue budget, and in order to achieve a balanced budget has identified a number of areas where expenditure is to be reduced and income increased. The following areas particularly were identified:

- That charging policies be reviewed for all service areas, to ensure that those who can pay the full cost of a service do so
- That a 'profit' target be set for the car parking service
- That the principle of self-management of village halls and bowling greens is supported
- That target efficiency savings to be set across all services which are to be delivered through a rolling programme of business reviews. Reviews undertaken in 2007-08 examined Financial Services; Direct and Environment Services and Chief Executive's and E-Government Services. These reviews whilst incurring initial implementation costs, in part met by use of the Business Restructuring Reserve have identified revenue savings with relatively short payback periods which in all cases are under 5 years.
- That investment opportunities be pursued
- That opportunities for partnering be identified
- That increases in budgets would be carefully considered

In the light of these issues the Council agreed the following:

- To agree a maximum level of expenditure for 2007/08 of £11.658m
- To make a contribution from reserves of an amount not exceeding £843,900
- That Management Team working with the Executive review future years' deficits and consider the way forward
- That the council tax be increased by 3.95%

During 2006-07 the Council commenced a programme of Business Improvement reviews which will review all services over a 3 year period with a view to identifying how they can be delivered more efficiently by redesigning processes and looking at structures in order to deliver cashable savings. In 2007-08 reviews were undertaken of Planning, Direct and Environment Services and Financial Services. Of the Reviews that have been fully completed Planning has delivered ongoing revenue savings of £41,000; Financial Services ongoing savings of £30,000 and Chief Executive and E-Government will deliver full year on-going savings of £110,000.

At the beginning of 2007-08 the Council successfully secured £123k of matched grant funding from Salix (financial arm of the Carbon Trust) to enable the Council to begin a programme of energy saving measures to both reduce the Council's carbon footprint and to save energy costs. During 2007-08 additional cavity wall and loft insulation was put in at the Council offices.

During 2007-08 the Council received its annual Use of Resources assessment undertaken by its external auditors for which it achieved scores of 3s (out of a possible 4) across 5 aspects of resource management, which assesses the Council as performing well. For one sub-element External Accountability it increased its score from a 3 to 4. This was largely as a result of publishing a summarised version of the statement of accounts in the autumn borough bulletin which we shall do so again this year.

## **Summary**

Whilst the future financial period is challenging, the overall financial position of the Council remains healthy. The Council has adequate resources to finance its capital programme over the outline budget period. As far as the revenue budget is concerned, significant budget deficits are projected over the outline budget period. 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 eliminate the dependence on this source of funding.

Additional spending pressures are not being met by additional government grant, the Council knows that its general government grants support is only increasing by 1% for 2008-09 and by a mere 0.5% per annum for each of the following two years, and the controls that are now being exercised by the government on council tax increases mean that the opportunity to pass on additional charges to the council taxpayer is very limited. 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 Financial Officer on 4th September 2008 and post balance sheet events have been considered up to this date.

## **Further Information**

If you require any further information, Terry Collier, Chief Financial Officer on Tel: 01784 446296 at the Council Offices, Knowle Green.

## Statement of Accounting Policies

These accounts have been prepared in accordance with the Financial Reporting Standards (FRS) developed and issued by the Accounting Standards Board (ASB) and with the franked Code of Practice on Local Authority Accounting in the United Kingdom: Statement of Recommended Practice (SORP) 2007 covering the application of Statements of Standard Accounting Practice (SSAPs) to local authorities in England and Wales and comply with the Code of Accounting Practice and Best Value Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### 1. Debtors and Creditors

The accounts are prepared on an income and expenditure basis in accordance with the SORP. This means that all amounts due to or from the authority are included in the accounts where they are significant, whether or not the cash has actually been received or paid in the year.

Debtors include accrued income for this and earlier years, including interest on investments. Creditors of a material nature are included for goods and services received at 31 March 2008, including interest on outstanding loans.

Where the precise amounts due to or from the Council is unknown on closing the accounts, provisions have been made on an estimated basis.

### 2. Accounting for Provisions, Contingent Liabilities and Contingent Assets (FRS 12)

All material gains and losses not accrued within the accounts themselves are recorded in the notes to the appropriate financial statement as required by this FRS. The notes describe the nature of the contingency and provided it is not prejudicial to the Council's interests, a prudent estimate of the financial effect.

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year.

The Council operates the following funds under the provisions of the Local Government Act 1989:-

- a) Staines Road – provision for non compliance of a covenant and loss for legal action for unpaid rent. The dispute was resolved and settled in the 2007/08 financial year.
- b) Rodd Industrial Estate – provision for the payment of the other party costs of the legal case. The dispute was resolved and settled in the 2007/08 financial year.

### 3. Reserves

The Council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement of Reserves on the General Fund Balance. Where expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement after Net Operating Expenditure so that there is no net charge against council tax for that expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Council – these reserves are explained separately.

### 4. Basis of Capital Accounting

- a) **Fixed Assets** - All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than year.

#### **Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controllable by the Council is capitalised when it will bring benefits to the Council for more than one financial year. No material intangible fixed assets have been identified.

#### **Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Operational assets** have been included in the balance sheet at a lower of net current replacement cost or net realisable value in existing use. Non-operational assets have been included in the balance sheet at the lower of net replacement or net realisable value.

The current asset values used in the accounts are based upon a certificate issued by the District Valuer as at 1st April 2005. Additions since that date are included in the accounts at their cost of acquisition.

- b) **Depreciation** – All fixed assets, other than land, are being depreciated over their useful economic lives in accordance with the following policy:

Operational properties are depreciated over their remaining useful economic life, as determined by the District Valuer, using the straight-line method. Non-operational investment properties and freehold land are not depreciated.

Vehicles and plant are depreciated at 20% per annum using the reducing balance method and IT equipment is depreciated over 5 years using the straight-line method. In both cases depreciation is provided for in the year of disposal.

- c) **Charges to Revenue** - The capital charges made to service revenue accounts equate to the sum of depreciation.

To ensure that depreciation does not impact on the level of council tax, the value of depreciation charged to services in the Income and Expenditure statement is reversed out in the Statement of Movement on the General Fund Balance by appropriations from the Capital Adjustment Account.

Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside, to finance capital expenditure or as transfers to earmarked reserves are disclosed separately as appropriations, in the Income and Expenditure below net operating expenditure.

- d) **Deferred Charges** - Represent expenditure which may properly be capitalised, but which does not represent a tangible fixed asset. Deferred charges are written off as expenditure to the relevant service revenue account in the year incurred. Where the Council has determined to meet the cost of deferred charges from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Income and Expenditure so there is no impact on the level of council tax.
- e) **Impairment** – Represents a reduction in the carrying value of an Asset caused either by a consumption of economic benefits or by a general fall in prices. The SORP requires that authorities undertake a review of the balance sheet value of each category of asset at the end of each reporting period. Where there is reason to believe that its value has changed materially in the period, the valuation should be adjusted accordingly.

## **5. Accounting for Capital – implementation of the Revaluation Reserve**

The balance sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve.

The Revaluation Reserve and Capital Adjustment Account replaced the Fixed Asset Replacement Account (FARA) and the Capital Financing Account (CFA).

The debit balance of £1.836m on the FARA and credit balance of £53.593m and CFA respectively at 31 March 2007 have been written into the Capital Adjustment Account with a resulting credit balance of £51.756m.

The closing balance on the Revaluation Reserve at 31 March 2008 only shows revaluation gains since 1 April 2007.

## **6. Investments (FRS 25,26 and 29)**

Investments are shown at transaction cost except for “available for sale” asset which are at fair value representing the net present value of future cash flows.

## **7. Costs of Support Services**

Central administrative expenses are fully recharged within the financial year. Costs have been reallocated to operational services on the basis of charging policies contained within agreed Service Level Agreements. Balances on central support cost after allocation to services have been left as a charge to the General Fund within the year incurred.

The cost of Corporate Management is not reallocated to services, but contained within the General Fund as a separate cost centre.

## **8. Treatment of Government Grants (SSAP 4) Revised**

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to a government grants-deferred account. Amounts are released from the government grants-deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

## **9. Accounting for Value Added Tax (SSAP 5)**

Income and expenditure are recorded net of VAT in accordance with this SSAP.

## **10. Exceptional Items (FRS 3)**

Any exceptional items have been charged to the relevant services and, where significant, explained within the notes to the accounts. Any prior year adjustments are identified in the notes to the accounts.

## **11. Profit and Loss on Sale of Fixed Assets (FRS 3)**

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income is included in the Balance Sheet as Usable Capital Receipts. The FRS requires any profit or loss made on the sale of assets to be credited to revenue accounts. Current legislation does not allow local authorities to do this. Therefore, the Council does not comply with this FRS.

## **12. Accounting for Leases (SSAP21)**

Finance Leases – Leases are accounted for as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. The Council does not have any finance leases.

Operating Leases - Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease.

## **13. Stock and Work-in-Progress (SSAP 9) Revised**

During the year, stocks and stores are recorded in the accounts at the lower of cost and net realisable value.

## **14. Cash Flow Statements (FRS 1)**

Under the Code of Practice on Local Authority Accounting in Great Britain, a Cash Flow Statement has been produced to comply with this FRS.

## **15. Accounting for Post Balance Sheet Events (SSAP 17)**

Events which have occurred after the Balance Sheet date but have a material bearing on the fair presentation of the financial statements are disclosed in the notes to the Balance Sheet.

## **16. Accounting for Pensions (FRS 17)**

The authority recognises its liabilities in relation to retirement benefits when the employee earns them rather than when the pension actually becomes payable. This policy better reflects our commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund. As this is financed from the Pensions Reserve, there is no impact on the Council Tax level.

This has had the following effects on the results of the prior and current periods:

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 2% higher after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 3% higher than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the Authority by 15%.

## **17. Group Accounts**

The Authority's transactions with other entities have been reviewed and it has been decided that it does not have any material form of interest in other entities (including companies, statutory bodies and other arrangements). Therefore group accounts have not been prepared.

# Statement of Responsibilities for the Statement of Accounts

## The Authority's Responsibilities

The Authority 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 Authority, 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 Authority'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'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

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;
- Complied with the Code of Practice.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.



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

**Date: \*\* September 2008**



**Councillor J Packman**  
Leader of the Council

**Date: \*\* September 2008**

## Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the notional value of retirement benefits earned by employees in the year.

2006/07 Net Expenditure £'000		2007/08		
		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
2,606	Central Services to the public	8,468	6,004	2,464
8,159	Cultural, Environmental and Planning services	12,595	4,489	8,106
269	Highways and Transportation services	2,377	1,885	492
1,465	Housing services	20,424	19,716	708
1,484	Adult Social Care services	2,494	608	1,886
2,087	Corporate and democratic core	2,435	12	2,423
22	Non Distributed Costs	42	0	42
<b>16,092</b>	<b>NET COST OF SERVICES</b>	<b>48,835</b>	<b>32,714</b>	<b>16,121</b>
5	Loss on disposal of fixed assets			0
21	Interest payable and similar charges			73
	Contribution of housing capital receipts to Government Pool			5
(1,595)	Interest and investment income			(1,616)
21	Pension interest costs and expected return on pensions assets			(69)
<b>14,547</b>	<b>NET OPERATING EXPENDITURE</b>			<b>14,514</b>
(5,902)	Demand on the Collection Fund			(6,142)
(914)	General government grants			(793)
(4,557)	Non-domestic rates distribution			(4,723)
<b>3,174</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>			<b>2,856</b>



.....  
**T Collier CPFA, CA**  
**Chief Financial Officer**

**Date:**.....

The Council is always likely to report a deficit on the Income and Expenditure Account because the council tax is set only to cover net costs excluding capital and notional pension costs.

The surplus or deficit on this account is similar to the profit or loss including depreciation in

company accounts, however there are a number of transactions relating to capital items (including depreciation) and pensions that are not to be included by statute when looking at the amount needed from council tax. The next statement called the "Statement of Movement on the General Fund Balance" shows the amount to be charged to the General Fund (the account used to calculate the Council Tax Requirement).

### **Statement of Movement on the General Fund Balance**

In order to give a full presentation of the financial performance of the Council during the year it is necessary to adjust the surplus or deficit on the Income and Expenditure Account to obtain the movement on the General Fund. This is because the General Fund is the statutory account that is used when setting the Council Tax and the movement on this fund is the difference between the spending of the Council and the Council Tax raised for the year.

<b>2006/07 £'000</b>		<b>2007/08 £'000</b>
3,174	(Surplus)/Deficit for the year on the Income and Expenditure Account	2,856
(3,224)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(3,015)
(51)	(Increase) / decrease in General Fund Balance for the Year	(159)
(1,361)	General Fund Balance brought forward	(1,412)
(1,412)	General Fund Balance carried forward	(1,571)

## Reconciliation Statement

This reconciliation statement summarises the difference between the surplus or deficit on the Income and Expenditure Account and the General Fund Balance

2006/07 £'000		2007/08 £'000
(3,224)	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	(3,015)
(4,576)	Comprising: <b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	(2,259)
(1,004)	Depreciation and impairment of fixed assets	(2,195)
(541)	Government Grants Deferred charges amortisation	290
(1,284)	Write downs of deferred charges to be financed from capital resources	(1,259)
(5)	Net loss on sales of fixed assets	0
(1,742)	Net charges made for retirement benefits in accordance with FRS17	389
0	Other Income	516
1,964	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	17
0	Minimum revenue provision for capital financing	0
545	Capital expenditure charged in-year to the General Fund Balance	22
(3)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(5)
1,422	Employer's contributions payable to the SCC Pension Fund and retirement benefits payable direct to pensioners	-
(612)	<b>Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	(773)
(4)	Voluntary revenue provision for capital financing	0
(608)	Net transfer to or from earmarked reserves	(773)

## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in the Council's net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes unrealised gains and losses relating to the revaluation of fixed assets and investments, the re-measurement of the net liability to cover the cost of retirement benefits, and the share of surplus or deficit generated on the Collection Fund relating to the Council.

2006/07 £'000		2007/08 £'000
(3,174)	Deficit for the year on the Income and Expenditure Account	(2,856)
709	Surplus arising on revaluation of fixed assets	597
0	Surplus/(deficit) on revaluation of available for sale financial assets	10
(50)	Attributable movement on the Collection Fund	(61)
4,095	Actuarial gains/(losses) on pension fund assets and liabilities	5,022
1,580	<b>Total recognised gains for the year</b>	2,712

## BALANCE SHEET AS AT 31 MARCH 2008

2006/07		2007/08	
£'000		£'000	£'000
	<b>FIXED ASSETS (Note 18)</b>		
	<b>Operational Assets</b>		
38,603	Other Land and Buildings	37,932	
489	Vehicles, Plant and Equipment	2,080	40,012
	<b>Non-Operational Assets</b>		
12,275	Investment Properties	12,275	
390	Surplus Assets held for disposal	1,880	14,155
<b>51,757</b>	<b>TOTAL FIXED ASSETS</b>		<b>54,167</b>
14,550	Long Term Investments (Note 27)		9,730
322	Long Term Debtors		260
<b>66,629</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>64,157</b>
	<b>CURRENT ASSETS</b>		
44	Stocks and Work in Progress	78	
15,660	Short Term Investments (Note 27)	10,872	
5,813	Debtors (Note 28)	7,178	
21	Payments in Advance	58	
718	Cash in Hand	37	18,223
<b>88,885</b>	<b>TOTAL ASSETS</b>		<b>82,380</b>
	<b>CURRENT LIABILITIES</b>		
(5,574)	Temporary loans	(2,554)	
(2,412)	Receipts in Advance	(2,269)	
(3,707)	Creditors (Note 29)	(3,169)	(7,992)
<b>77,192</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>74,388</b>
	<b>LONG TERM LIABILITIES</b>		
(16,405)	Defined Benefit Pension Scheme Liability (Note 33)	(10,994)	
(233)	Provisions (Note 30)	-	
(54)	Deferred Credits	(182)	(11,176)
<b>60,500</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>63,212</b>
	<b>FINANCED BY:</b>		
-	Revaluation Reserve (Note 43)	597	
-	Available-for-sale Financial Instruments Reserve	9	
51,756	Capital Adjustment Account (Note 43)	53,477	
21	Deferred Capital Receipts (Note 24)	15	
9,010	Usable Capital Receipts (Note 43)	4,665	
(16,405)	Pensions Reserve (Note 33)	(10,994)	
14,795	Earmarked Reserves (Note 42)	14,022	
1,412	General Fund Balance	1,571	
(89)	Collection Fund Balance	(150)	63,212
<b>60,500</b>	<b>TOTAL NET WORTH (Note 23)</b>		<b>63,212</b>

## CASHFLOW STATEMENT

The cash flow statement is designed to provide a greater understanding of the activities of the Council than can be obtained from a review of the revenue account and balance sheet. The statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2006/07 £'000		2007/08	
		£'000	£'000
	<b>REVENUE ACTIVITIES</b>		
	Expenditure		
10,993	Employment Costs	11,637	
10,742	Other Operating Costs	11,951	
18,295	Housing Benefits	19,208	
39,830	NNDR Payments to Pool	35,012	
44,644	Precepts Paid	47,104	
3	Payments to Capital Receipts Pool	5	
<b>124,507</b>			<b>124,917</b>
	Income		
(802)	Rents (net of Rebates)	(723)	
(46,384)	Council Tax Income	(48,598)	
(5,443)	National non-domestic rate receipts from National Pool	(4,822)	
(39,946)	Non Domestic Rate Income	(34,765)	
(907)	Revenue Support Grant	(793)	
(22,223)	DWP Rebate Subsidy	(22,876)	
(634)	Other Government Grants	(498)	
(5,181)	Cash received for Goods and Services	(6,574)	
<b>(121,520)</b>			<b>(119,649)</b>
<b>2,987</b>	<b>Deficit from Revenue activities (see Note 40)</b>		<b>5,268</b>
	<b>SERVICING OF FINANCE</b>		
21	Interest Paid	71	
(1,595)	Interest Received	(1,027)	
(1,574)	<b>Total Servicing of Finance</b>		(956)
<b>1,413</b>			<b>4,312</b>
	<b>CAPITAL ACTIVITIES</b>		
	Expenditure		
1,933	Purchase of fixed assets	3,560	
9,500	Purchase of long term investments	-	
2,018	Other	1,077	
<b>13,451</b>			<b>4,637</b>
	Income		
(805)	Sale of fixed assets	(594)	
(359)	Capital Grants Received	(274)	
(326)	Other Capital Cash Income	(215)	
(1,490)			(1,083)
<b>13,374</b>	<b>Net Cash Outflow before Financing</b>		<b>7,866</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(8,745)	Net decrease in short term deposits		(10,160)
	<b>FINANCING</b>		
591	Cash Outflows - Repayment of amounts borrowed	54,134	
(5,574)	Cash Inflows - New short term loans raised	(51,158)	
			2,976
<b>(354)</b>	<b>NET (INCREASE)/DECREASE IN CASH (see Note 40)</b>		<b>682</b>

## Notes to the Core Financial Statements

### 1. Analysis of major Service Areas Expenditure

The comparative figures for 2007/08 are in accordance with the requirements of the Best Value Accounting Code of Practice.

2006/07 Net £'000	Service Area	2007/08 Expenditure £'000	2007/08 Income £'000	2007/08 Net £'000
	<b>CENTRAL SERVICES TO THE PUBLIC</b>			
281	Elections and Electoral Registration	379	2	377
489	General Grants	394	0	394
22	Local Land Charges	189	201	(12)
(36)	Council Tax Benefits	5,351	5,190	161
481	Local Tax Collection	756	265	491
342	Other	759	200	559
	<b>CULTURAL ENVIRONMENTAL AND PLANNING SERVICES</b>			
1,838	Open Spaces	2,339	186	2,153
1,120	Leisure and Culture	1,413	444	969
785	Planning and Building Control	2,019	1,204	815
2,723	Refuse and Recycling	4,187	1,026	3,161
691	Environment Services	494	0	494
1,020	Environmental and Public Health	1,142	302	840
132	Cemeteries	358	195	163
321	Community Safety	329	1	328
(229)	Other	207	572	(365)
	<b>HIGHWAYS ROADS AND TRANSPORT SERVICES</b>			
(690)	Parking Services	1,415	1,830	(415)
680	Concessionary Fares	695	56	639
24	Other	25	0	25
	<b>HOUSING SERVICES</b>			
(58)	Housing Benefits	18,553	18,742	(189)
940	Housing and Homelessness	1,132	290	842
253	Housing Management	134	0	134
	<b>ADULT SOCIAL CARE SERVICES</b>			
212	Community Care Administration	315	7	308
937	Day Centres	1,708	208	1,500
10	Meals on Wheels	184	151	33
289	Spelthorne Accessible Transport	233	64	169
(38)	Spelthorne Personal Alarm Network	123	194	(71)
	<b>CORPORATE AND DEMOCRATIC CORE</b>			
1,188	Corporate Management	1,578	2	1,576
899	Democratic Representation and Management	838	0	838
3	Non Distributed Costs	21	0	21
<b>14,629</b>	<b>REVENUE NET COST OF SERVICES</b>	<b>47,270</b>	<b>31,332</b>	<b>15,938</b>

The outturn on the Income and Expenditure Account (I+E) is different from the Net Cost of Services figure because there are substantial differences in what is included within the 2 categories.

The net cost of services figures shown on the previous page relates solely to revenue expenditure. The I+E figure however incorporates additional income and expenditure relating to Capital accounting entries including depreciation and impairments, charges for financing capital expenditure and between the charges for pensions in this account compared to the amount paid to the Pension Fund.

## 2. Agency Services

The former Highways Agency Agreement with Surrey County Council for highways maintenance was terminated on 1st April 2002.

## 3. Publicity

Expenditure on publicity as defined by Section 5(1) of the Local Government Act 1986 was:

	2006/07 £'000	2007/08 £'000
Recruitment advertising	20	25
Other advertising	17	20
Promotions	0	4
Other Publicity	24	133
<b>TOTAL</b>	<b>61</b>	<b>182</b>

## 4. S137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds and not for profit providers of public services.

The Council's actual expenditure under this power in 2007/08 was £423k (£403k in 2006/07).

## 5. Minimum Revenue Provision

The provisions of the Prudential Code of Capital Finance in Local Authorities require the Council to set aside a minimum revenue provision for the redemption of external debt. The Council has no long term borrowings and therefore, no sums need to be set aside

## 6. Leases

The Authority holds various assets under Operating Leases, which include operational vehicles, leased cars, automatic public conveniences, and other operational equipment.

The authority was committed at 31st March 2008 to making payments of £703,085.55 under operating leases in 2008/09, comprising the following elements

	Other Land and Buildings (2007/08) £'000	Vehicles, plant and Equipment (2007/08) £'000
Leases Expiring in 2008/09	0	126
Leases Expiring between 2009/10 and 2014/15	0	577
Leases Expiring after 2014/15	0	0
	0	703

Expenditure on operating leases in 2007/08 was £650,339 (2006/07 £455,796). There was no finance lease expenditure 2007/08.

## 7. Contribution to (from) Reserves

The following contributions to (from) revenue reserves were made during the year: -

Contribution to (from) Reserves	£'000	
<b>Contributions from Earmarked Reserves</b>		
New Schemes Fund	312	
Capital Fund	301	
Carry Forward Reserve	75	
Business Improvement Reserve	140	
Building Maintenance Fund	166	
Lottery Fund	22	1,016
Interest appropriated to reserves		(12)
<b>Appropriations to Earmarked Reserves</b>		
Interest Equalisation Reserve	(120)	
Car Parking Reserve	(111)	
		(231)
<b>TOTAL</b>		<b>773</b>

## 8. Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

We recognise the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account (I and E) after Net Operating Expenditure. The following transactions have been made in the I and E during the year:

Note 33 to the Balance Sheet contain details of the assumptions made in estimating the figures included in this note.

<b>Movements in net pension assets / liabilities</b>	<b>Year to 31 March 2007 £'000</b>	<b>Year to 31 March 2008 £'000</b>
<b>Net Cost of Services</b>		
Current Service Cost	(1,605)	(1,432)
Curtailments & Settlements	(116)	(46)
<b>Net Operating Expenditure</b>		
Interest Cost	(3,574)	(3,878)
Expected Return on Assets in the Scheme	3,553	3,947
<b>Amounts to be met from Government Grants and Local Taxation</b>		
Movement on Pensions Reserve	320	(389)
<b>Actual amount charged against council tax for pensions in the year</b>		
Employers contributions payable to the scheme	(1,422)	(1,798)

The Current Service cost will increase as members of the scheme approach retirement.

Further information can be found in Surrey County Council's Superannuation Fund Annual Report which is available from County Hall, Penrhyn Road, Kingston upon Thames.

## 9. Local Authority Goods and Services Act 1970

As part of an agreement with Apex Housing Association the Council undertook legal work on their behalf relating to right to buy transactions, deeds of variation, freehold reversions, general property advice and debt recovery. The agreement was ceased at the end of 2006/07 and no work was carried out under the provisions of the above Act in 2007/08:

## 10. Employee Remuneration

The number of employees whose remuneration (including salary, leased car and other employee benefits but excluding pension contributions) was greater than £50,000, in bands of £10,000, is shown in the table below.

Remuneration Band (inc Salary and Benefits)	Number	
	2006/07	2007/08
£50,000 - £59,999	10	12
£60,000 - £69,999	3	2
£70,000 - £79,999	2	2
£80,000 - £89,999	1	1
£90,000 - £99,999	-	1
£100,000 - £109,999	-	-

## 11. Members' allowances

Members' allowances of £190,089 (£185,482 in 2006/07) were paid in the year to 31st March 2008.

## 12. Deferred Charges

Deferred charges arise out of capital expenditure which does not create a fixed asset. The deferred charge is written out in the year of expenditure as a charge to revenue services. This is then financed from the Capital Adjustment Account so that there is no impact on the Council Tax. Analysis of expenditure is as follows: -

	£'000
Central Services	403
Cultural, Environment and Planning	299
Highways & Transportation	75
Housing	467
Social Services	15
<b>TOTAL</b>	<b>1,259</b>

## 13. Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by 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 its funding in the form of grants; and it prescribes the terms of many of the transactions the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in notes 28 and 29 on page 30. Details of cash received from government grants are set out in note 40 on page 38.

Members of the Council have direct control over the Council's financial and operating policies. During 2007/08 there were no material related party transactions between the Council and Council Members. Any declarations of interest are properly recorded in the Register of Members' Interests, which is open to public inspection. Senior Officers have the ability to influence the Council. During 2007/08 there were no related party transactions between the Council and Senior Officers.

## 14. Building Control Trading Accounts

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

<b>Building Regulations Charging Account 2007/08</b>	<b>Chargeable 2007/08 £</b>	<b>Non Chargeable 2007/08 £</b>	<b>Total Building Control 2007/08 £</b>
Expenditure			
Employee expenses	155,132	146,185	301,317
Premises (Office Accommodation)	16,756	8,632	25,388
Transport	5,240	2,745	7,985
Supplies & Services	7,909	4,075	11,984
Central and support service charges	70,673	36,408	107,081
<b>Total Expenditure</b>	<b>255,710</b>	<b>198,045</b>	<b>453,755</b>
Income			
Building Regulation Charges	281,418	2,355	283,773
<b>Total Income</b>	<b>281,418</b>	<b>2,355</b>	<b>283,773</b>
(Surplus)/Deficit for Year	<b>(25,708)</b>	<b>195,690</b>	<b>169,982</b>
<b>2006/07</b>			
Expenditure	<b>266,047</b>	<b>189,706</b>	<b>455,753</b>
Income	<b>286,806</b>	<b>3,000</b>	<b>289,806</b>
Net	<b>(20,759)</b>	<b>186,706</b>	<b>165,947</b>

The Building Regulation (Local Authority Charges) Regulations 1999 came into force on 1st April 1999, stipulating that the Council is obliged to meet 100% of the chargeable costs over a three year period. A total surplus of £52,759 has been achieved over the last 3 year period.

## 15. Disclosure of Audit Costs

In 2007/08, the following payments were made relating to external audit and inspection:

	2006/07 £'000	2007/08 £'000
Fees payable for external audit services	69	87
Fees payable for statutory inspections	3	6
Certification of grant claims and returns	22	23
<b>TOTAL</b>	<b>94</b>	<b>116</b>

## Notes to the Statement of Movement of General Fund Balance

16. The Income and Expenditure Account is based on generally accepted accounting principles and does not reflect statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future year, the outturn on the Income and Expenditure needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund provides the necessary reconciliation.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, to reflect statutory provisions that authorities need to take into account when setting local taxes, the main differences being:

- Capital investment is accounted for as it is financed rather than when fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

## Notes on the Statement of Total Recognised Gains and Losses

17. This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefit.

## Notes to the Balance Sheet

### 18. Fixed Assets

Under Financial Reporting Standard 15 "Tangible Fixed Assets", depreciation must be provided for on all operational buildings including council dwellings. Assets have been depreciated over their useful economic life using the straight line method except for vehicles and plant which is depreciated using the reducing balance method. Assets were revalued as at 1<sup>st</sup> April 2005.

The total value of impairments in 2007/08 totalled £1,038,243. The most significant impairment related to Benwell Day Centre which accounted for £854,329 of the total.

All fixed assets are included in the Balance Sheet at net realisable value; the carrying value is not materially different to the current value of fixed assets.

Movements during the year were as follows:

<b>Movement in Fixed Assets</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Total Operational Assets</b>	<b>Non Operational Assets</b>	<b>Total Fixed Assets</b>
	£000's	£000's	£000's	£000's	£000's
Book Value at 1 April 2007	40,341	696	41,037	12,665	53,702
Accumulated Depreciation	1,738	207	1,945	-	1,945
<b>Net Book value as at 1 April 2007</b>	<b>38,603</b>	<b>489</b>	<b>39,092</b>	<b>12,665</b>	<b>51,757</b>
Movements during 2007/08					
Additions	2,163	1,772	3,935	73	4,008
Disposals	-	-	-	-	-
Depreciation	(976)	(181)	(1,157)	-	(1,157)
Revaluations	597	-	597	-	597
Impairments	(1,038)	-	(1,038)	-	(1,038)
Reclassifications	(1,417)	-	(1,417)	1,417	-
<b>Net Book Value at 31st March 2008</b>	<b>37,932</b>	<b>2,080</b>	<b>40,012</b>	<b>14,155</b>	<b>54,167</b>

The main items of capital expenditure and financing are shown on page 39. A statement of future major capital commitments is shown on page 42.

#### **Reconciliation of additions fixed assets to total capital expenditure**

	£'000
Total capital expenditure 2007/08	5,268
Less: Capital Expenditure on fixed assets does not increase asset value	(362)
Less: expenditure incurred where no asset is owned by the Council or created	<u>(898)</u>
Additions to fixed assets	<u>4,008</u>

## 19. Deferred Charges

	Housing Improvements £'000	General Fund £'000	Total £'000
Balance at 1.4.07	-	-	-
Expenditure			
Improvement Grants	437	-	437
Other	-	822	822
Amounts written off:			
To Net cost of Service in Revenue Account	(437)	(822)	(1,259)
Balance at 31.3.08	-	-	-

Deferred Charges represents capital expenditure where there is no tangible fixed asset e.g. grants for housing associations and improvements and is included within the Capital Adjustment Account on the Balance Sheet. Deferred charges are written off in the year of expenditure.

## 20. Statement of Physical Assets

The Council owned the following assets at 31st March 2008:

Buildings	Land
1 Civic Centre 1 Depot 2 Leisure Centres with Pool 5 Public Halls 5 Day / Community Centres 1 Plant Nursery 1 Museum 1 Resource Centre	985 Allotment Plots 8 Cemeteries and Burial Grounds 31 Children's Play areas 16 Car Parks (3,600 spaces) 86 Recreation Grounds and Open Spaces (251 Hectares in all)
Housing	Vehicles and Equipment
The Council does not hold any housing stock, since it was all transferred to Spelthorne Housing Association in 1996.	4 Lorries 5 Vans 9 Other Vehicles 249 Personal Computers 70 Printers 47 Servers

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.

## 21. Leases

There are no assets funded by means of finance leases.

## 22. Valuation Disclosure

The freehold and leasehold properties which comprise the Authority's property portfolio were valued as at 1st April 2005 by a chartered surveyor, from the Valuation Office Agency, who conforms to the requirements of the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (5<sup>th</sup> Edition).

Plant and machinery is included in the valuation of the buildings. Properties regarded by the Authority as non-operational were valued on the basis of market value.

## 23. Analysis of Net Assets Employed

	As at 31.3.07 £'000	As at 31.3.08 £'000
General Fund	60,589	63,362
Collection Fund	(89)	(150)
<b>TOTAL</b>	<b>60,500</b>	<b>63,212</b>

This represents the aggregate of reserves attributable to the Authority and equals the sum of the local taxpayers' equity. The change in the General Fund between years is due to the financing of both capital and revenue expenditure from reserves.

## 24. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sales of council houses, which form the main part of mortgages under long term debtors.

## 25. Long Term Borrowing

We have no long term debt.

## 26. Contingent Liabilities

No specific provision has been included in these accounts for the following:

Mortgage Guarantees on 81 shared ownership properties. These will only occur if the mortgagees default on payment and any charge to the Council will be accounted for at that time.

A claim against the Council may be made in respect of the redevelopment of Memorial Gardens in Staines. The Council considers further negotiations with the contractor will be required to establish the validity and amount of any such claim.

A claim against the Council is also being made in respect of Orchard Meadow, Sunbury. The notice of claim has been issued and we are currently awaiting directions from the Lands Tribunal about the necessary preparations for the matter. A decision is unlikely to be reached before the end of 2008.

Up until 1992 the Council's insurance was placed with MMI which went into administration. Currently MMI are in legal action with other parties over liability for asbestos claims. If the legal result were to be adverse for MMI there is a possibility that this would trigger a call down on local authorities which would expose the Council to outstanding claims of £596,000. However, MMI are currently saying that even with an adverse outcome the balance sheet is sufficiently robust for them to anticipate a solvent run down.

## 27. Investments

	Balance 31.3.07 £'000	Balance 31.3.08 £'000
Long Term:		
Capital Funds	50	10
Revenue Funds	14,500	9,720
	14,550	9,730
Short Term:		
Temporary investment	15,660	10,872
	15,660	10,872
<b>TOTAL</b>	<b>30,210</b>	<b>20,602</b>

## 28. Analysis of Debtors

	Balance at 31 March 2007 £'000	Balance at 31 March 2008 £'000
Central Government	1,739	2,643
Revenues & Customs	243	206
Council Taxpayers	1,505	1,360
General	2,539	2,557
Precepting Authorities	677	1,149
Less Provisions for Bad Debts	(890)	(737)
<b>Total Debtors</b>	<b>5,813</b>	<b>7,178</b>
Payments in Advance	21	58
	<b>5,834</b>	<b>7,236</b>

## 29. Analysis of Creditors

	Balance at 31 March 2007 £'000	Balance at 31 March 2008 £'000
Central Government	517	281
Inland Revenue	1	1
General	3,189	2,887
<b>Total Creditors</b>	<b>3,707</b>	<b>3,169</b>
Receipts in Advance	2,412	2,269
	<b>6,119</b>	<b>5,438</b>

### 30. Provisions

	Balance at 1 April 2007	Increase in year	Decrease in year	Balance at 31 March 2008
	£'000	£'000	£'000	£'000
ADC Debenture	23		23	-
Lottery Fund	42		42	-
Charitable Rate Relief	100		100	-
Staines Road West	60	-	60	-
Rodd Industrial Estate	50	-	50	-
<b>TOTAL</b>	<b>275</b>	<b>-</b>	<b>275</b>	<b>0</b>

A statement as to the purpose of provisions is included within Accounting Policy No. 2.

The Lottery fund provision has now been reclassified to reflect the SORP and is now shown within the Earmarked Reserves (note 42) on page 40.

### 31. Financial Instruments

#### Nature and Extent of Risk arising from financial instruments

The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services and sets treasury limits and prudential indicators to assist in the management of risk. 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 may have insufficient funds available to meet its financial commitments.

Market risk – the possibility that financial loss may arise for the Council as a result of changes in interest rates etc.

The Council's overall risk management programme focuses on minimising the effect of such risks. Policies and procedures to minimise risk are set out in the annual Treasury Management Strategy Statement and Annual Investment Strategy and are approved by the Council. These policies cover 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 other financial institutions as well as credit exposures to the authority's customers. Investments and deposits are made with banks and financial institutions that have high credit quality. The Council uses Fitch ratings to assess the creditworthiness of its counter-parties and also has strict limits on the amounts that can be placed with any one institution at any one time. No formal assessment are generally carried out in respect of individual Council customers. However, in the event of a significant commitment financial checks would be carried out to minimise the Council's exposure to default.

The following analysis summarises the Council's potential exposure to credit risk based on current market conditions:

		Amount as at 31 March 2008 £000's
Deposits with banks and financial institutions		
Fitch rating – AA, F1, B, 1	5,081	
Fitch rating - AA-, F1+, A/B, 2	1,028	
Fitch rating – AA-, F1+, B, 1	5,230	
Fitch rating - AA-, F1+, B, 2	3,223	
Fitch rating – AA-,F1+, B/C, 1	1,027	
		15,589
Euro-sterling Bonds Rated AAA		5,003
Customers		7,132

#### Liquidity Risk:

The Council's exposure to liquidity risk is not significant. Short-term investments are placed to mature when known commitments become payable. 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 to be paid in less than one year.

#### Market Risk:

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

A proportion of investments are held at fixed rates for longer periods to provide an element of stability of returns and reduce the impact of fluctuating interest rates. Treasury advisors are used 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, locking into higher rates where possible to reduce volatility.

The Council's current investments include triple A rated euro-sterling bonds. There is an active market for such instruments and as such there is an element of price risk. These were originally purchased in 2004 to be held to maturity but their marketability has provided an element of liquidity within the investment portfolio.

The Council has no financial assets or liabilities that are denominated in foreign currencies and therefore has no exposure to foreign exchange risk.

#### Fair Value of Financial Instruments:

Financial assets and liabilities (except for Available for Sale) represented by loans and receivables 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 interest rates range from 5.15% to 5.93% for loans and receivables, dependant on the term remaining and market rates for similar investments as at 31st March 2008.

No early repayment or impairment is recognised.

Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to the fair value.

The fair value of trade and other receivables is taken to be the invoiced or billed amount, less provision for bad and doubtful debts.

31March 2007	31March 2007		31March 2008	31March 2008
Carrying Amount £000's	Fair Value £000's		Carrying Amount £000's	Fair Value £000's
		<b>Financial Liabilities</b>		
5,574	5,574	Short Term Borrowing	2,553	2,553
3,707	3,707	Trade and Other Creditors	3,246	3,246
		<b>Financial Assets</b>		
		<b>Loans and Receivables</b>		
14,550	14,550	Long Term Investments	9,720	9,784
15,660	15,660	Short Term Investments	5,869	5,613
718	718	Cash and Bank Balances	37	37
		<b>Available For Sale Assets</b>		
5,000	5,000	Euro-Sterling Bonds	5,003	5,003

The fair value of Euro-Sterling bonds is determined by price quotations in the active market.

The fair value of long term investments is higher than the carrying amount because the Council's portfolio includes several fixed rate deposits where the interest rate receivable is higher than the rate available for similar deposits at the balance sheet date. The fair of short term investments is lower than the carrying amount. The fair value of short-term borrowing is the same as the carrying amount because of the short remaining duration on these loans.

### 32. Euro Costs

The Authority is monitoring the position in regard to the Euro. All the financial computer systems are multi-currency. No significant expenditure has been incurred to date.

### 33. Net Pension Assets and Liability

Note 8 to the Income and Expenditure contain details of the Authority's participation in the Local Government Pensions Scheme (administered by Surrey County Council).

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

<b>Net Pension Assets at</b>	<b>31 March 2007 £'000</b>	<b>31 March 2008 £'000</b>
Estimated Liabilities in the scheme	(72,218)	(63,186)
Estimated Assets in the scheme	55,813	52,192
<b>Net Asset / (Liability)</b>	<b>(16,405)</b>	<b>(10,994)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £10.994m has a significant impact on the net

worth of the Authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit whereby it will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, mean that the financial position of the Authority remains healthy. The Pension fund liability in the year has decreased by £5.411m.

The actuarial gains identified as movements in the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March:

<b>Analysis of Actuarial Gains and Losses</b>	<b>Year to 31 March 2007</b>		<b>Year to 31 March 2008</b>	
	£'000	%	£'000	%
Differences between the expected and actual return on assets	(1)	0.0	(5,785)	11.1
Differences between actuarial assumptions about liabilities and actual experience	374	0.5	1,916	0.7
Changes in the financial assumptions used to estimate liabilities	3,722		8,891	
<b>Actuarial (Gain) / Loss Recognised in Statement of Total Recognised Gains and Losses</b>	<b>4,095</b>		<b>5,022</b>	

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2007

The main assumptions used in their calculations have been:

<b>Actuarial assumptions as at</b>	<b>31 March 2007</b> %	<b>31 March 2008</b> %
Rate of inflation	3.20	3.60
Rate of increase in salaries	4.70	5.10
Rate of increase in pensions	3.20	3.60
Rate for discounting scheme liabilities (NB based on 3.5% real)	5.40	6.90

The actuary has assumed that 25% of members of the scheme will opt to exchange part of their pension for additional tax-free cash at retirement.

Assets in the Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

<b>Assets (Employer)</b>	<b>Long Term Return at 31 March 2007 % p.a.</b>	<b>Assets at 31 March 2007 £'000</b>	<b>Long Term Return at 31 March 2008 % p.a.</b>	<b>Assets at 31 March 2008 £'000</b>
Equities	7.80	41,309	7.70	37,075
Bonds	4.90	9,945	5.70	9,993
Property	5.80	3,484	5.70	3,810
Cash	4.90	1,075	4.80	1,314
<b>Total</b>	<b>7.10</b>	<b>55,813</b>	<b>7.10</b>	<b>52,192</b>

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2007 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficient reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Spelthorne Borough Council's retirement benefit liabilities as at 31 March 2008 does not include any allowance for this change to the pension scheme

For the purposes of FRS17 the actuary based its valuation of year end pension scheme assets on rolling forward asset valuations taken at 31 December 2007.

#### **34. Post Balance Sheet Events**

There are no post balance sheet events relevant to the 2007/08 Accounts.

### **The Cash Flow Statement – Explanatory Note**

The cash flow statement is designed to provide a greater understanding of the activities of the Council than can be obtained from a review of the revenue account and balance sheet. The statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. All internal transfers are excluded from the statement and cash movements are classified under five main headings so that the cash flow associated with the various activities of the authority can be identified:

#### **35. Revenue Activities**

This section reflects all the cash transactions relating to the day to day activities of the Authority including those relating to the collection of local taxation. These include:

- Cash paid to and on behalf of employees includes all payments to the Tax authorities of employees' and employers' contributions.
- Housing benefit expenditure reflects cash payments made to private tenants.
- Rent income and Council Tax income are shown net of rebates so that the statement only reflects the cash received.
- The income from the government in relation to benefits awarded is included as government grants for housing benefits.

### 36. Returns on Investments and Servicing of Finance

This section reflects all the cash transactions relating to the revenue element of financing transactions and includes interest paid and received.

### 37. Capital Activities

This section reflects the cash flows relating to the purchase and sale of tangible and non-tangible fixed assets. It also includes any capital grant and contributions received.

### 38. Management of Liquid Resources

Liquid resources are defined as cash or cash equivalents including all current asset investments that are held by the Council, that can be readily convertible into known amounts of cash at or close to, the balance sheet value.

### 39. Financing

This section reflects the cash flows relating to the principal element of amounts borrowed from third parties only.

### 40.

<b>Reconciliation of Net Revenue Deficit to Net Cash Flow</b>		
	<b>£'000</b>	<b>£'000</b>
General Fund Deficit	2,856	
Collection Fund Deficit	61	
		2,917
Non-Cash Transactions		
Depreciation and Impairments	(2,195)	
Loss on Sale of Fixed Assets	-	
Net Contributions to/from Reserves	389	
Net Provision Set Aside and applied	232	
		(1,574)
Items on an Accrual Basis		
Decrease in Creditors	1,321	
Decrease in Stock	35	
Increase in Debtors	1,480	
		2,836
Items in Another Classification		
Servicing of Finance	956	
Management of Liquid Resources	587	
Capital Expenditure Financed from Revenue	(454)	
		1,089
<b>Net Cash Outflow from Revenue Activities</b>		<b>5,268</b>

<b>Reconciliation of Movement in Cash to Movement in Net Debt</b>			
	<b>31.3.07</b>	<b>31.3.08</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank/(overdraft)	364	(232)	(596)
Cash in hand	355	269	(86)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>719</b>	<b>37</b>	<b>(682)</b>
Debt due within one year (short term borrowings)	(5,574)	(2551)	3,023
Debt due after one year	-	-	-
<b>Total Debt</b>	<b>(5,574)</b>	<b>(2551)</b>	<b>3,023</b>
Current Asset Investments (short term deposits)	15,660	5,500	(10,160)
Long Term Investments (over one year)	14,550	14,550	-
<b>Total Investments</b>	<b>30,210</b>	<b>20,050</b>	<b>(10,160)</b>
<b>Net Funds/(Debt)</b>	<b>25,355</b>	<b>17,536</b>	<b>(7,819)</b>

<b>Reconciliation of Financing and Management of Liquid Resources</b>			
	<b>31.3.07</b>	<b>31.3.08</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current Asset Investments (short term deposits)	15,660	5,500	(10,160)
Debt due within one year (short term borrowings)	(5,574)	(2,551)	3,023
<b>Net Funds/(Debt)</b>	<b>10,086</b>	<b>2,949</b>	<b>(7,137)</b>

<b>Government Grants and Contributions</b>	
<b>Revenue Grants</b>	<b>£'000</b>
NNDR Redistribution Grant	4,822
Revenue Support Grant	793
Housing Benefits Subsidy	22,756
Business rate Collection	147
Concessionary Fares	56
Planning Delivery Grant	202
Other	93
	<b>28,869</b>
<b>Capital Grants</b>	
Specific Grant - Disabled Facilities	250
DEFRA - Contaminated land	24
	<b>274</b>
<b>TOTAL GOVERNMENT GRANTS</b>	<b>29,143</b>



#### 41. Capital Expenditure and Financing

<b>Summary of Capital Expenditure</b>		<b>2006/07 £'000</b>	<b>2007/08 £'000</b>
<b>Housing</b>	Improvement Grants	429	437
	Feasibility Studies and Capital Salaries	134	30
		<b>563</b>	<b>467</b>
<b>Leisure</b>	Public Halls	20	
	Memorial Gardens	49	32
	Parks and Recreation Grounds	99	85
	Leisure Facilities	39	366
	Leisure Centres	1,349	1,521
	Allotments	22	6
	Museum	94	1
	<b>1,672</b>	<b>2,011</b>	
<b>Community Care</b>	Day Centres	135	163
	Community Alarm System	26	31
		<b>161</b>	<b>194</b>
<b>Highways and Transportation</b>	Depot	-	93
	Car Parks	91	163
		<b>91</b>	<b>256</b>
<b>Environmental Services</b>	Refuse Collection & Recycling	-	1,132
	Critical Ditches	74	43
	Environmental Initiatives	261	279
	Air Quality Monitoring	5	-
	Cemeteries	14	-
	Public Conveniences	17	45
	Community Safety/CCTV	49	7
	Street Cleansing	185	-
	<b>605</b>	<b>1,506</b>	
<b>Other</b>	Loans/Grants to Voluntary Organisations	89	47
	Computer Developments	526	407
	Knowle Green	94	122
	Feasibility Studies and Capital Salaries	241	258
		<b>950</b>	<b>834</b>
<b>TOTAL CAPITAL EXPENDITURE</b>		<b>4,042</b>	<b>5,268</b>

	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>
<b>Summary of Capital Financing</b>		
Borrowing ( Short Term)	-	-
Capital Receipts	3,497	4,862
Specific Government Grants	239	242
Reserve and Other Funds	306	164
<b>TOTAL CAPITAL FINANCING</b>	<b>4,042</b>	<b>5,268</b>

## 42. Revenue Reserves

<u>Fund</u>	<u>Bal B/fwd 1/4/07</u>	<u>Surplus/ Deficit</u>	<u>Conts in lieu of Interest</u>	<u>Conts from/ (to) other funds</u>	<u>Financing</u>	<u>Bal C/fwd 31/3/08</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Insurance Risk Management	10					10
Capital Fund	1,842				(301)	1,541
Housing Initiatives	1,150			6,517		7,667
Social Housing Fund	7,117			(7,117)		0
Lottery Fund	42		2		(22)	22
New Schemes Fund Rev	2,813				(312)	2,501
Good Causes Fund	3					3
Investment Valuation	47					47
Car Parks reserve	0				111	111
Building Maintenance	180		10		(166)	24
Interest Equalisation Reserve	773				120	893
Insurance Reserve	150					150
Business Improvement Reserve	243			600	(140)	703
PDG Reserve	150					150
Carry Forward Reserve	275				(75)	200
<b>Sub total</b>	<b>14,795</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>(785)</b>	<b>14,022</b>
General Fund	1,412				159	1,571
Collection Fund	(766)				(533)	(1,299)
<b>Total</b>	<b>15,441</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>(1,159)</b>	<b>14,294</b>

### 43. Capital Reserves

<u>Fund</u>	Balance B/fwd 1/4/07 £'000	Transfer to Revenue £'000	Capital Movements £'000	Unrealised Gains £'000	Financing £'000	Balance C/fwd 31/3/08 £'000
Capital Adjustment Account	51,757	(3,455)			5,175	53,477
Revaluation Reserve	-			597		597
Deferred Capital Receipts	21		(6)			15
Usable Capital Receipts	9,010		517		(4,862)	4,665
Pension Reserve	(16,405)		5,411			(10,994)
	<b>44,383</b>	<b>(3,455)</b>	<b>5,922</b>	<b>597</b>	<b>313</b>	<b>47,760</b>

### Capital and Earmarked Revenue Reserves

Set out below is a brief description of the capital and revenue reserves held by the Council and the purpose for which they are used:

#### 44. Capital Reserves

Capital Adjustment Account – This account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

Revaluation Reserve – Required following changes to capital accounting that came into effect from 1st April 2007. The account holds all revaluation gains related to individual assets. Revaluation losses can be charged here only when they reverse previous revaluation gains and no individual asset can have a negative carrying amount on the account

Deferred Capital Receipts – amounts derived from the sale of assets which will be received in instalments over agreed periods of time.

Usable Capital Receipts Account – Represents capital receipts available and used to finance capital expenditure in current and future years.

#### 45. Earmarked Revenue Reserves

Capital Fund – Used for financing capital expenditure, and to support the revenue account.

Housing Initiatives – To support low cost social housing initiatives in the public and private sectors.

Lottery Fund - contains the net proceeds of the Spelthorne Lottery, which is registered under the Lotteries and Amusements Act 1976 and from which grant payments are made.

General Fund Contingency – To finance future General Fund schemes.

Insurance Risk Management Fund – To provide funding for risk management initiatives to help reduce insurance costs.

Investment Valuation Reserve – To equalise the effect on the General Fund of future declines in the market value of external investments.

Interest Equalisation Fund – To neutralise the impact of changes in interest rates on the level of interest income across the years.

Building Maintenance Fund – To equalise building maintenance expenditure across years.

Social Housing Fund – To fund future housing capital expenditure including low cost social housing initiatives.

New Schemes Fund – To finance the revenue effects of future capital expenditure and specific revenue projects.

Good Causes Fund - To fund grants to voluntary organisations and individuals.

Insurance Fund – To provide a level of self insurance cover to offset possible impact over the life of the current insurance contract of higher deductibles.

Business Improvement Reserve – To provide set aside funds to assist in implementation of any business improvements designed to realise revenue efficiencies.

Carry forward reserve – To provide a fund to enable the completion of works started but unable to be completed in a financial year.

Car Parks Reserve – To provide a fund for additional improvement works required to the Borough's car parks.

Planning Delivery Grant – To help fund the transition period after Planning Delivery Grant ceases to be available.

#### 46. Capital Commitments

Project	Estimated Total Cost £'000	Payments to 31.3.08 £'000	Future Capital Commitment		
			2008/09 £'000	2009/10 £'000	2010/11 £'000
<b>Other Services</b>					
<b>Leisure Centre Refurbishment</b>	<b>2,713</b>	<b>2,665</b>	<b>48</b>	<b>0</b>	<b>0</b>

**47. Disclosure of Involvement in a Local Area Agreement**

Spelthorne Borough Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/ 08, the LAA has completed the final year of its three-year agreement.

The purpose of the LAA is:  
 to form an agreement between the Surrey Strategic Partnership, Government (represented by Government Office South East), and other external agencies,  
 to ensure that together we achieve the 2020 vision in the Surrey Community Strategy,  
 to agree specific outcomes and targets that will be achieved each year for the three years of the agreement,  
 to improve the effectiveness and efficiency of public services in Surrey by pooling and aligning funding streams.

The LAA partners are:  
 local government bodies – Surrey County Council, Epsom & Ewell Borough Council, Elmbridge Borough Council, Guildford Borough Council, Mole Valley District Council, Reigate & Banstead Borough Council, Runnymede Borough Council, Tandridge District Council, Spelthorne Borough Council, Surrey Heath Borough Council, Waverly Borough Council, Woking Borough Council.

- external agencies - South East England Development Agency
- community protection authorities – Surrey Policy Authority, Surrey Probation Service
- health bodies – Surrey Primary Care Trust
- learning bodies – Learning and Skills Council
- voluntary organisations – Surrey Community Action, Surrey Economic Partnership, Surrey Chambers of Commerce

Surrey County Council acts as the accountable body for the LAA. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but the council does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, the council acts as an agent to the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, but only that part to be spent by the council in providing services.

The total amount of LAA Grant received by the Surrey Strategic Partnership in 2007/08 was £10.98m. Spelthorne Borough Council received £154,368 of this total to fund its own services.

**48. Trust Funds**

The Council currently administers one small Trust Fund. The value is as follows:

	As at 31.3.07 £	As at 31.3.08 £
Lord Mayor’s National Flood Distress Fund	4,999	5,188

These funds do not represent assets of the Council and are not included in the Balance Sheet.

## Collection Fund

2006/07 £'000		2007/08	
		£'000	£'000
	<b>Income</b>		
46,251	Income from Council Tax	48,435	
4,459	Council Tax Benefits	4,515	52,950
40,166	Income from Business ratepayers		35,482
<b>90,876</b>	<b>Total Income</b>		<b>88,432</b>
	<b>Expenditure</b>		
50,490	Precepts and demands from County and Police Business Rate		53,238
39,830	- Payment to the National Pool		35,012
147	- Costs of Collection		147
7	- Discretionary Rate Relief Bad and Doubtful Debts		(59)
308	- Bad debts written off		694
38	- Increase in bad debt provision		(134)
485	Distribution of Surplus		67
<b>91,305</b>	<b>Total Expenditure</b>		<b>88,965</b>
(337)	<b>Balance brought forward 1st April 2007</b>		(766)
(429)	<b>Movement in Fund</b>		(533)
<b>(766)</b>	<b>Balance carried forward 31st March 2008</b>		<b>(1,299)</b>

(89)	Balance due from SBC	(150)
(677)	Balance due from Other Preceptors	(1,149)
<b>(766)</b>		<b>(1,299)</b>

## Notes to the Collection Fund

### 1. Council Tax

In order to calculate the total yield from Council Tax in a year it is necessary to convert the number of dwellings in each band to an equivalent number of Band D dwellings. For 2007/08 the following calculation was made:

Band	Number of Chargeable Dwellings	Ratio	Equivalent Band D Dwellings	Estimated Yield at £1,334.69 (Band D) £'000
A	285	6/9	190	254
B	1,310	7/9	1,019	1,360
C	6,766	8/9	6,014	8,027
D	12,422	9/9	12,422	16,580
E	8,885	11/9	10,859	14,494
F	4,155	13/9	6,001	8,010
G	1,891	15/9	3,152	4,205
H	91	18/9	182	243
<b>Total</b>	<b>35,805</b>		<b>39,839</b>	<b>53,173</b>
Allowance for Losses on Collection and Appeals			49	65
Council Tax Base and Expected Yield			39,888	53,238

The Actual Yield for the year was £52,949,976 the difference of £288,539 being attributable to the change in the numbers of properties in each Band between the initial calculation in November 2006 and the final figures in March 2008.

### 2. Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate. The total non-domestic rateable value at 31 March 2008 was £102,272,438 and the multiplier for the year 2007/08 was 0.444.

The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts are as follows:

	£'000
Gross amount payable for 2007/08	43,694
Less: Adjustments for Transition	(57)
Less: Debit Adjustments made in year for empty properties, revaluation including prior years etc.	(5,743)
Less: Reliefs and write offs	(2,411)
<b>Net sum collectable</b>	<b>35,483</b>
Less: Allowance for collection	(147)
Less: Bad Debt Provision	(324)
<b>Payment to National Pool for 2007/08</b>	<b>35,012</b>

### 3. Precepts and Demands

<b>Precepts and Demands</b>	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>
Surrey County Council	38,194	40,272
Surrey Police	6,450	6,831
Spelthorne BC	5,846	6,135
	50,490	53,238

### 4. Distribution of Surplus

<b>Distribution of Surplus</b>	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>
Surrey County Council	371	50
Surrey Police	58	9
Spelthorne BC	56	8
	485	67

# 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, and which 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](http://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 2006 in relation to the publication of a statement on internal control.

## 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 2008 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 2006-09 is published on the website [http://www.spelthorne.gov.uk/12feb08\\_reporta\\_appendixa.doc](http://www.spelthorne.gov.uk/12feb08_reporta_appendixa.doc)). 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 agreed in February 2008 a new set of Corporate priority themes. Progress towards the achievement of the objectives will be monitored through the performance management system and by the Performance Management and Review Committee.
- The Council engages with the public and translates the community's priorities into a Community Plan in conjunction with our partners

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

- Revised 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 regularly undertakes 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 Executive who recommend the major policies and strategies to the Council. The Executive is also responsible for most of the non-regulatory functions of the Council. The Executive is made up of the Leader and eight other Portfolio Holders, who are all appointed by the Council. Major decisions which affect significant proportions of the community are published in advance in the Executive'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 Executive wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.
- There are two scrutiny committees Performance Management and Review Committee and Improvement and Development Committee which review decisions and actions taken by the Executive and other Council functions. A "call-in" procedure allows scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The scrutiny committees also review, monitor and scrutinise 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
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- A 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 has an effective complaints procedure. The Council will be reviewing its corporate complaints process in the coming year to ensure that it can respond to the ever increasing expectations of the public for excellent public and customer service.

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 two years both Financial Regulations and Contract Standing Orders have been revised in light of changing circumstances.

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

- Spelthorne 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. Timely 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 good 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 Performance Management and Review Committee and performance against targets is maintained online on the Council's performance management system available for review by Councillors and officers.
- There is a programme of Business Improvement Reviews which will address all areas of the Council on a 3 year rolling programme.

#### 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 2007/08 included:

- The setting of the outline budget framework and the detailed annual budget;
- Monitoring of actual income 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 Executive and the Performance Management and Review 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 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

## Performance and Risk Management

- The Council has good 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 Performance Management and Review Committee and performance against targets is maintained online on the Council's performance management system available for review by Councillors and officers.
- Audit Services provide the lead on risk management and ensure that all services undertake annual risk assessments of their services. 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 fully 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 Audit Services and the Head of Corporate Governance will ensure that the Annual Review of Corporate Governance in December 2008 addresses 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.

## **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 auditors and other review agencies and inspectorates.

The Performance Management and Review Committee set up a Code of Corporate Governance Task Group to review the Council's governance arrangements and to assess them against the six CIPFA/SOLACE core principles underpinning the 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 have supplemented the work of the Task Group by completing a detailed assessment of the Council's position against the criteria set out in the eight objectives underpinning the Code of Governance framework. The eight objectives are:

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

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

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

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

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Code Corporate Governance Task Group, see report to Performance Management and Review Committee 4th March 2008, and there is a plan to address weakness and ensure continuous improvement of the system is in place. The plan will particularly focus on:

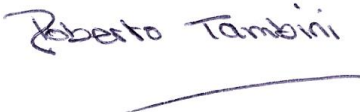
- the governance of partnerships.
- a review of the staff code of conduct
- a review of the corporate complaints procedure

Significant governance issues

The overall opinion of the Head of Audit Services is that the Council’s internal control environment is adequate and effective. Any shortcomings identified during the year with a significant level of risk attached have been reported to the Audit Committee and residual corporate risks are summarised below:

- The Corporate Management Team (MAT) should continue to review the Council’s entire programme of projects and consider the level (capacity and skills) of resources available to deliver effectively.
- Service Plans should be updated promptly and targets aligned to corporate priorities.
- The authority should ensure service critical business continuity plans are fully communicated, tested and updated regularly.
- Protocols/agreements for all significant partnerships should be reviewed ensuring that roles and responsibilities of each party are clear and risks assessed. Outcomes should be monitored against expected targets/ objectives.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



**Signed:** .....  
**John Packman**  
**Leader of the Council**

.....  
**Roberto Tambini**  
**Chief Executive**

# Independent auditor's report to the Members of Spelthorne Borough Council

## Opinion on the statement of accounts

We have audited the Authority statement of accounts and related notes of Spelthorne Borough Council, for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority statement of accounts comprises the Explanatory Foreword, Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. The statement of accounts has been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to Spelthorne Borough Council 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 Spelthorne Borough Council 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 Spelthorne Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the Director of Resources and auditor***

The Director of Resources' responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the statement of accounts.

Our responsibility is to audit the statement of accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority statement of accounts presents fairly the financial position of Spelthorne Borough Council and its income and expenditure for the year in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007.

We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

### ***Basis of audit opinion***

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority statement of accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority statement of accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority statement of accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority statement of accounts and related notes.

## **Opinion**

In our opinion:

The Authority statement of accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;

KPMG LLP  
Chartered Accountants  
London  
11 September 2008

## **Conclusion on 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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. 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.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2006, in all significant respects, Spelthorne Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

## Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 24 October 2007. We recommended that the plan should be amended for it to be in accordance with statutory requirements. On the basis of our audit work, we recommended that the authority should publish on its web site certain revised best value performance indicators where these had been incorrectly calculated. We also recommended that the authority should address the deficiencies in the systems to support the production of BVPIs 11a, 78b and 82b, which required significant amendment as a result of the audit.

## Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



**Auditor**      **KPMG**  
**Chartered Accountants**

**Date: 8 October 2008**

**Address**

## Other Information

In addition to the manpower and comparative statistics included here, the Council regularly publishes information about the cost and standard of the services it provides. A review of its key achievements over the previous year is included in the summer edition of the Borough Bulletin, the Council's own newspaper.

The standards called Performance Indicators, which are drawn up by the Audit Commission to show how well Councils are doing their job, are published in the Borough Best Value Plan and an edition of the Borough Bulletin.

## Suggestions and Complaints

The Council has produced a leaflet setting out how to complain if you are dissatisfied in any way about its provision of services. It also explains how complaints are dealt with by the Council and also how to approach the Local Government Ombudsman if it is felt that a complaint has not been properly resolved. The leaflet is available from the Council Offices.

The Council always welcomes any comment or suggestions as to how its services could be improved

## 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 authority 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 CHARGES

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

### 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. Replaces the Capital Financing Account with effect from 1<sup>st</sup> 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.

## COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA)

This assesses how well the Council delivers services and how well the Council is run, as this will affect how services are delivered in the future.

## 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 citizens.

## CREDITOR

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.

## DEBTOR

An individual or body that owes money to the Council at the balance sheet date.

## DEFERRED CHARGES

Deferred charges 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 authority'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 authority 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 authority 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 authority.

## 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.

## INVESTMENTS

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

## 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 authority 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 DEBTOR

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

Business rate levied on Companies, firms 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 authority 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 authority 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 authority 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.