



Spelthorne Borough Council

AUDITED

Annual Report & Statement of Accounts 2008-2009



INVESTOR IN PEOPLE

T Collier
Chief Finance Officer

Index to Financial Statements and Annual Report

	Page No.
Financial Review	2
Statement of Accounting Policies	9
Statement of Responsibilities for the Statement of Accounts.....	14
Core Financial Statements	
Income and Expenditure Account	15
Statement of Movement on the General Fund Balance	16 -17
Statement of Total Recognised Gains and Losses	18
Balance Sheet as at 31 March 2009	19
Cash Flow Statement.....	20
Notes to the Core Financial Statements.....	21
Collection Fund	46
Annual Governance Statement	49
Independent Auditors' Report to Spelthorne Borough Council.....	56
Other Information	59
Glossary of Terms	60

Financial Review **By the Chief Finance Officer**

In considering these accounts reader must bear in mind the dramatic events which occurred in 2008-09 in the global financial, property and economic markets. The reductions in property and equity values has impacted on the pension FRS17 values through reducing the value of the Pension fund assets and thereby increasing the pension deficit and are a major factor in reducing the Council net value on its Balance sheet and increasing the accounting deficit on the income and expenditure statement (before the effects are reversed out in the Statement on the Movement of the General Fund. Similarly falling property values required the Council to revalue those of its assets most likely to have reduced in value as a result of the general property market decline. This resulted in reductions in the Council's fixed asset value on the balance sheet and impairment charges on the income and expenditure statement increasing the accounting deficit.

The economic conditions meant that the Council was not able to realise the level of capital receipts it had anticipated in the original budget for 2008-09 and this in turn reduced the amount of investment income it was able to earn in 2008-09. Combined with this during 2008-09 base rates fell to the historically unprecedented low level of 0.5% and this combined with fewer financial counterparties being available for the Council to invest with because of falling credit worthiness of financial institutions meant that outturn investment income was approximately £0.374m lower than originally anticipated. However, readers can be reassured that the Council did not have any deposits with Icelandic financial institutions.

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 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 statement are likewise grouped together. The Council does not have any material financial interests in other accounting entities and therefore does not produce Group Accounts.

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 15) 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 (2008-09 deficit of £14.8 million) does not necessarily mean that immediate action is needed to cut expenditure or raise council tax. The large movement in the deficit relative to 2007-08 reflect the impact of accounting entries relating to the impairment or writing down of assets to reflect the impact of falling property prices (£10.3m). The Income and Expenditure Statement needs to be read in conjunction with the Statement of Movement on General Fund Balance, which explains what the underlying cash impact on the Council's reserves is.

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 2008/09 was £14,804,400. The net expenditure approved for services totalled £11,877,667, of which £1,048,000 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 6**.

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 2009, showing a deficit of £22.2 million for this Authority, which represents a doubling of the deficit for 2007-08. This largely reflects the impact of the economic recession and falling asset values reducing the fair value of the Council's share of assets in the Surrey Pension Fund. 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. There will be a separate Triennial Revaluation based on the Pension as at 31 March 2010, which is likely to feed through into increased employer pension contributions from 2011-12 although hopefully asset values may improve by 31 March 2010.

Statement of Movement on General Fund Balance (page 16)

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 16-17**, 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 impact of reduced investment income contributed towards the Council using higher than anticipated level of reserves for 2008-09. Total transfer from reserves was £1.929 million of which £0.3m related to the use of the Interest Equalisation reserve to partially offset the impact of lower investment income. The total transfer from reserves was £0.88 million higher than originally planned for 2008-09 and reflects the impact of reduced investment income, increased pressure on revenue streams. The accounts have included a provision of £96k for the outcome of a legal process relating to a land transfer dating back eight years; the outcome is expected soon.

The outturn on the General Fund has resulted in a £215k net reduction in the balance carried forward of the General Fund Reserve.

The Statement of Recognised Gains and Losses (page 18) 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 19**.

The Cash Flow Statement gives the cash position of the Council for the year and shows that there was a net cash inflow during the year of £219k (net cash outflow £682k in 2007-08). The Cash Flow Statement is on **page 20**.

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 45**.

This Authority's levy on the Collection Fund was set at £159.80 per Band D property (an increase of 3.9%) after taking account of a transfer of £1.048m from reserves and a transfer of £141,750 into the Collection Fund following lower 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 41**. 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.

Total capital expenditure in 2008-09 was £2.792 million which was considerably less than the previous year as there were no large individual capital schemes. A breakdown of the schemes making up this spend can be found in note 39 (page 41).

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

	£'000
Total Capital Expenditure	2,792
Financed by:	
Capital Grant	252
Capital Receipts	2,381
Contributions from external organisations	53
Revenue Resources & Reserves	106
Total	2,792

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.

The change in the level of gross expenditure and income, identified below, is largely due to an increase in the level of payments made in respect of housing and council tax benefits paid to claimants which is recovered by an increase in the level of housing benefit subsidy received from the Department of Work and Pensions (DWP).

Interest receipts were £374,000 less than we had anticipated at the original budget, largely due to an anticipated capital receipt for the Bridge Street site not being realised and the dramatic fall interest rates.

Comparison of Actual Expenditure 2008/09 to Budget			
	Original Budget 2008/09	Actual Expenditure 2008/09	Variance Actual to Original Budget
	£'000	£'000	£'000
Gross Expenditure	43,564	49,055	(5,491)
Income - Government Grants	(22,636)	(27,586)	4,950
Income - Other	(6,395)	(6,419)	24
NET SERVICE EXPENDITURE	14,533	15,050	(517)
Building Maintenance	273	263	10
REVISED SERVICE EXPENDITURE	14,806	15,313	(507)
Interest on Balances	(1,880)	(1,506)	(374)
Transfer from Earmarked Reserves	(810)	(948)	138
Contribution from other Reserves	(238)	(981)	743
BUDGET REQUIREMENT	11,878	11,878	0
Financed by:			
Revenue Support Grant and Non Domestic Rates	(687)	(687)	0
Precept on Collection Fund	(4,936)	(4,936)	0
NET BUDGET REQUIREMENT	6,255	6,255	0
Collection Fund Surplus	142	142	
NET BUDGET REQUIREMENT	6,397	6,397	0

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 2008.

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 whilst balancing risk
- The increasing deficits identified over the Outline Budget period
- The risk of net adverse financial impact on the Council of the extension of concessionary fares from 1st 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.
- 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, but recognised that the impact of the global economic downturn on the Council meant that this would take longer to achieve than originally planned. 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

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

- To agree a maximum level of expenditure for 2008/09 of £14.8m
- To make a contribution from reserves of an amount not exceeding £1,047,000
- That Management Team working with the Executive review future years' deficits and consider the way forward
- That the council tax be increased by 3.9% for 2008-09

Both actual net expenditure and the use of reserves were higher than the targets set out above as a result of the economic downturn reducing both fees and charges and investment income

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 2008-09 reviews were undertaken of Street Scene, Environment, Community Services, Environmental Health, Human Resources. The Business Improvement Programme by end of 2008-09 had identified on-going annual revenue savings of £670,000.

Towards the end of 2008-09 the Council successfully recovered £144,000 in VAT income and statutory interest from HM Revenues and Customs arising from an opportunity given by Customs for local authorities to reclaim VAT paid in previous years which as result of a change in VAT interpretation as to the VAT status of parking penalty charge income was entitled to be recovered. The Council has submitted similar claims relating to leisure centre income and trade/bulky waste for periods going back to the 1970s. These claims total approximately £1 million and with statutory interest could be worth approaching £2 million. These later claims have not been included in the figures in the accounts, as whilst some other neighbouring authorities have already had their claims paid out, Customs have yet to process this Council's set of claims, and the amount that Customs may agree to pay out is too uncertain to accrue in the accounts.

The Council has received its Use of Resources assessment for 2008-09. This assesses how well organisations are delivering value for money and providing sustainable outcomes for local people. It forms part of the Comprehensive Area Assessment (CAA) framework. It defines use of resources in a broader way than the previously embracing the use of natural, physical and human resources. It also places emphasis on commissioning services for local people. This is wider than the previous assessment which focused on systems and processes and as a result it is not possible to directly compare with the previous year's assessment. For 2008-09 the Council's Use of Resources overall score was a 2 which means the Authority is performing adequately.

Summary

The future financial period is extremely challenging. The Council has been impacted by the severity of the global economic downturn, one consequence of which is that its capital resources are not as buoyant as previous projected. This means the Council will be more constrained in future years in its capital programme and that it may need to consider business cases where appropriate for prudential borrowing. As far as the revenue budget is concerned, 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 reduce over time 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 0.5% for both 2008-09 and for 2009-10, 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. We know that in 2011-12 the public sector will be facing severe funding pressures which the Council is planning for.

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

The accounts were authorised for issue by Mr T Collier, Chief Finance Officer on xx September 2009 and post balance sheet events have been considered up to this date.

Further Information

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

Statement of Accounting Policies

1. General Principles

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) 2008 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).

2. Changes in Accounting policies

The 2008 SORP has imposed further changes to the format and content of accounts as part of the continuing drive to make public sector accounts generally more compliant with "Generally Accepted Accounting Practices" (UK GAAP).

The main changes affecting the Authority are:-

- a) The revised basis for valuing pension fund assets for FRS17 disclosures (note 18)
- b) The renaming of "deferred charges" to "revenue expenditure funded from capital under statute"
- c) Statutory guidance for Minimum Revenue Provision (MRP) – this is currently not relevant to Spelthorne as we are a debt free authority.

3. 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 2009, 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.

4. 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.

In 2008/09 the Council charged the following provision charge to revenue under the provisions of the Local Government Act 1989:-

- a) Orchard Meadow – provision for costs relating to the payment of a compulsory purchase from 2001

5. 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.

6. 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. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of the consumption of benefits. 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. Additional valuations were undertaken in 2008/09 as a result of the economic climate and these have been incorporated into the accounts at their revised valuation (see note 21).

- 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 a qualified External 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.

- 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.

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) **Revenue expenditure funded from capital under statute** - Represent expenditure which may properly be capitalised, but which does not represent a tangible fixed asset. Revenue expenditure funded from capital under statute is written off as expenditure to the relevant service revenue account in the year incurred. Where the Council has determined to meet the cost of revenue expenditure funded from capital under statute 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.

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

7. Accounting for Capital

The closing balance on the Revaluation Reserve at 31 March 2009 only shows revaluation gains since 1 April 2007 when the Revaluation Reserve came into effect.

8. 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.

9. 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 agreed by Heads of Service. 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.

10. 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.

11. Accounting for Value Added Tax (SSAP 5)

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

12. 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.

13. 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 and the Council complies with this FRS.

14. 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. Rentals payable are apportioned between a charge for the acquisition of the interest in the asset (recognised as a liability on the balance sheet) and a finance charge (debited to operating expenditure in the Income and Expenditure Account as the rent becomes payable). The Council does not currently hold 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.

15. 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.

16. 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.

17. 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.

18. Accounting for Pensions (FRS 17)

Under the 2008 SORP the authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of scheme assets have been restated. Current and prior year surplus have been unaffected by the change.

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 3.7% higher after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.8% 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 35%.

19. 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 2009.

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 Finance Officer

Date: 30 September 2009



Councillor J Packman
Leader of the Council

Date: 30 September 2009

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.

2007/08 Net Expenditure £'000		2008/09		
		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
2,464	Central Services to the public	10,724	6,324	4,400
8,106	Cultural, Environmental Regulatory and Planning Services	21,934	3,665	18,269
492	Highways and Transport Services	3,183	2,052	1,131
708	Housing services	22,930	21,662	1,268
1,886	Adult Social Care	1,709	652	1,057
2,423	Corporate and democratic core	1,479	13	1,466
42	Non Distributed Costs	31	0	31
16,121	NET COST OF SERVICES	61,990	34,368	27,622
0	Loss on disposal of fixed assets			1
0	Other income			(82)
73	Interest payable and similar charges			40
5	Contribution of housing capital receipts to Government Pool			1
(1,616)	Interest and investment income			(1,506)
(69)	Pension interest costs and expected return on pensions assets			639
14,514	NET OPERATING EXPENDITURE			26,715
(6,142)	Demand on the Collection Fund			(6,255)
(793)	General government grants			(687)
(4,723)	Non-domestic rates distribution			(4,936)
2,856	(SURPLUS) / DEFICIT FOR THE YEAR			14,837

T Collier

.....
T Collier CPFA, CA
Chief Finance Officer

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.

2007/08 £'000		2008/09 £'000
2,856	(Surplus)/Deficit for the year on the Income and Expenditure Account	14,837
(3,015)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(14,622)
(159)	(Increase) / decrease in General Fund Balance for the Year	215
(1,412)	General Fund Balance brought forward	(1,571)
(1,571)	General Fund Balance carried forward	(1,356)

Reconciliation Statement

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

2007/08 £'000		2008/09 £'000
(2,259)	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	(12,798)
(2,195)	Depreciation and impairment of fixed assets	(12,290)
290	Government Grants Deferred amortisation	255
(1,259)	Revenue Expenditure Funded from Capital under statute	(671)
389	Net charges made for retirement benefits in accordance with FRS17	(174)
516	Other Income	82
17	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	65
22	Capital expenditure charged in-year to the General Fund Balance	66
(5)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1)
(773)	Transfers to or 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	(1,889)
(773)	Net transfer to or from ear marked reserves	(1,889)
(3,015)	Net additional amount required to be credited to the General Fund Balance for the year	(14,622)

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.

2007/08 £'000		2008/09 £'000
(2,856)	Deficit for the year on the Income and Expenditure Account	(14,837)
597	Surplus arising on revaluation of fixed assets	7,586
10	Surplus/(deficit) on revaluation of available for sale financial assets	136
(61)	Attributable movement on the Collection Fund	102
5,022	Actuarial gains/(losses) on pension fund assets and liabilities	(11,002)
2,712	Total recognised gains / (losses) for the year	(18,015)

Balance Sheet as at 31 March 2009

2007/08 £'000		2008/09	
		£'000	£'000
	FIXED ASSETS (Note 18)		
	Operational Assets		
37,932	Other Land and Buildings	38,200	
2,080	Vehicles, Plant and Equipment	2,175	40,375
	Non-Operational Assets		
12,275	Investment Properties	9,749	
1,880	Surplus Assets held for disposal	1,459	11,208
54,167	TOTAL FIXED ASSETS		51,583
9,730	Long Term Investments (Note 26)		8,471
260	Long Term Debtors		199
64,157	TOTAL LONG TERM ASSETS		60,253
	CURRENT ASSETS		
78	Stocks and Work in Progress	38	
10,872	Short Term Investments (Note 26)	13,615	
7,178	Debtors (Note 27)	4,704	
58	Payments in Advance	193	
37	Cash in Hand	256	18,806
82,380	TOTAL ASSETS		79,059
	CURRENT LIABILITIES		
(2,554)	Temporary loans	(4,554)	
(2,269)	Receipts in Advance	(2,665)	
(3,169)	Creditors (Note 28)	(3,668)	(10,887)
74,388	TOTAL ASSETS LESS CURRENT LIABILITIES		68,172
	LONG TERM LIABILITIES		
(10,994)	Defined Benefit Pension Scheme Liability (Note 8)	(22,170)	
0	Provisions (Note 29)	(96)	
(182)	Deferred Credits	(709)	(22,975)
63,212	TOTAL ASSETS LESS LIABILITIES		45,197
	FINANCED BY:		
597	Revaluation Reserve (Note 41)		7,795
9	Available-for-sale Financial Instruments Reserve		145
53,477	Capital Adjustment Account (Note 41)		43,647
15	Deferred Capital Receipts		12
4,665	Usable Capital Receipts (Note 41)		2,367
(10,994)	Pensions Reserve (Note 41)		(22,170)
14,022	Earmarked Reserves (Note 40)		12,093
1,571	General Fund Balance		1,356
(150)	Collection Fund Balance		(48)
63,212	TOTAL NET WORTH (Note 22)		45,197

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.

2007/08 £'000	Revenue Activities	2008/09 £'000	£'000
	Expenditure		
11,637	Employment Costs	12,137	
12,849	Other Operating Costs	9,729	
19,208	Housing Benefits	21,670	
35,012	NNDR Payments to Pool	40,192	
47,104	Precepts Paid	49,876	
5	Payments to Capital Receipts Pool	<u>1</u>	
125,815			133,605
	Income		
(723)	Rents (net of Rebates)	(624)	
(48,598)	Council Tax Income	(51,317)	
(4,822)	National non-domestic rate receipts from National Pool	(4,936)	
(34,765)	Non Domestic Rate Income	(41,569)	
(793)	Revenue Support Grant	(687)	
(22,876)	DWP Rebate Subsidy	(28,003)	
(498)	Other Government Grants	(1,067)	
(6,574)	Cash received for Goods and Services	(5,635)	
(119,649)			<u>(133,838)</u>
6,166	Surplus from Revenue activities (see Note 38)		(233)
	Servicing of Finance		
71	Interest Paid	42	
(1,027)	Interest Received	<u>(1,482)</u>	
(956)	Total Servicing of Finance		<u>(1,440)</u>
5,210			(1,673)
	Capital Activities		
	Expenditure		
3,560	Purchase of fixed assets	1,658	
0	Purchase of long term investments	8,134	
179	Other	<u>1,369</u>	
3,739			11,161
	Income		
(594)	Sale of fixed assets	(284)	
(274)	Capital Grants Received	(82)	
(215)	Other Capital Cash Income	<u>(528)</u>	
(1,083)			<u>(894)</u>
7,866	Net Cash Outflow before Financing		8,594
	Management of Liquid Resources		
(10,160)	Net decrease in short term deposits		(6,810)
	Financing		
54,134	Cash Outflows - Repayment of amounts borrowed	24,840	
(51,158)	Cash Inflows - New short term loans raised	<u>(26,843)</u>	
2,976			<u>(2,003)</u>
682	Net (Increase)/Decrease in Cash (see Note 38)		(219)

Notes to the Core Financial Statements

1. Analysis of major Service Areas Expenditure

The analysis gives a breakdown of significant expenditure and income areas within the Authority with comparative figures for 2007/08.

2007/08 Net £'000	Service Area	2008/09 Expenditure £'000	2008/09 Income £'000	2008/09 Net £'000
	CENTRAL SERVICES TO THE PUBLIC			
377	Elections and the Electoral registration	271	1	270
398	General grants	560	0	560
(11)	Local Land Charges	158	109	49
2	Council Tax Benefits	5,653	5,593	60
491	Local Tax collection	926	355	571
94	Communications	916	0	916
31	MAT	783	0	783
83	DS Management Team	39	0	39
83	Environment	901	59	842
(29)	Community Safety	125	0	125
945	Other	392	207	185
2,464		10,724	6,324	4,400
	CULTURAL ENVIROMENTAL AND PLANNING SERVICES			
1,756	Open Spaces	2,088	208	1,880
568	Leisure and Culture	669	117	552
1,001	Planning and Building Control	2,173	1,026	1,147
2,782	Refuse and Recycling	4,064	691	3,373
814	Recreation and Sport	7,161	213	6,948
50	Day Centres	75	22	53
91	Environmental Initiatives	127	138	(11)
1,018	Environmental and Public Health	1,388	207	1,181
164	Cemeteries	410	159	251
329	Community Safety	423	122	301
(447)	Property Expenses	3,106	570	2,536
(20)	Other	250	192	58
8,106		21,934	3,665	18,269
	HIGHWAYS ROADS AND TRANSPORT SERVICES			
(320)	Parking Services	2,476	1,808	668
640	Concessionary Fares	555	244	311
172	Other	152	0	152
492		3,183	2,052	1,131
	HOUSING SERVICES			
(30)	Housing Benefits	21,051	21,119	(68)
509	Housing	731	19	712
265	Homelessness	336	114	222
(173)	Private Sector Housing	720	410	310
137	Housing Management	92	0	92
708		22,930	21,662	1,268

2007/08 Net £'000	Service Area	2008/09 Expenditure £'000	2008/09 Income £'000	2008/09 Net £'000
	ADULT SOCIAL CARE SERVICES			
261	Community Care Administration	275	18	257
1,479	Day Centres	804	198	606
33	Meals on wheels	235	171	64
169	Spelthorne Accessible Transport	210	88	122
(56)	Spelthorne Personal Alarm Network	185	177	8
1,886		1,709	652	1,057
	CORPORATE AND DEMOCRATIC CORE			
1,577	Corporate Management	592	2	590
(1)	Committee Services	264	10	254
10	Corporate Governance	111	0	111
837	Democratic Representation and Management	512	1	511
2,423		1,479	13	1,466
42	Non Distributed Costs	31	0	31
42		31	0	31
16,121	REVENUE NET COST OF SERVICES	61,990	34,368	27,622

2. Agency Services

The Council does not have any agency services.

3. Publicity

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

	2007/08 £'000	2008/09 £'000
Recruiting Advertising	25	21
Other Advertising	20	24
Promotions	4	3
Other Publicity	133	46
TOTAL	182	94

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 2008/09 was £439k (£423k in 2007/08).

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 2009 to making payments of £594,686 under operating leases in 2009/10, comprising the following elements

	Other Land and Buildings (2008/09) £'000	Vehicles, plant and Equipment (2008/09) £'000
Leases Expiring in 2009/10	46	186
Leases Expiring between 2010/11 and 2015/16	7	326
Leases Expiring after 2015/16	0	29
	53	541

Expenditure on operating leases in 2008/09 was £976,981 (2007/08 £650,339). There was no finance lease expenditure in 2008/09.

With regard to the authority's activity as a lessor, the rentals receivable in the year 2008/09 amounted to £339,001. The value of assets held for use in operating leases amounted to £12,757,518 valued at 31.3.08 and subject to £341,601 depreciation to 31.3.09.

7. Contribution to (from) Reserves

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

Contribution to (from) Reserves	£'000	
Contributions from Earmarked Reserves		
New Schemes Fund	(332)	
Capital Fund	(948)	
Interest Equalisation Reserve	(300)	
Carry Forward Reserve	(50)	
Business Improvement Reserve	(166)	
Building Maintenance Fund	(34)	
Insurance Fund	(18)	
Investment Valuation Reserve	(47)	
Lottery and Good Causes Funds	(4)	(1,899)
Interest appropriated to reserves		11
TOTAL		(1,888)

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 locally by Surrey County Council. This is a funded defined benefit final salary 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 total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £1.57m

The following transactions have been made in the Income and Expenditure Account during the year:

Movements in net pension assets / liabilities	Year to 31 March 2008 £'000	Year to 31 March 2009 £'000
Net Cost of Services		
Current Service Cost	(1,432)	(903)
Curtailments & Settlements	(46)	(98)
Past service costs		(425)
Net Operating Expenditure		
Interest Cost	(3,878)	(4,321)
Expected Return on Assets in the Scheme	3,947	3,682
Amounts to be met from Government Grants and Local Taxation		
Movement on Pensions Reserve	(389)	174
Actual amount charged against council tax for pensions in the year		
Employers contributions payable to the scheme	(1,798)	(1,891)

	31 March 2008 £'000	31 March 2009 £'000
Statement of Movement on the General Fund Balance		
Reversal of charges made for Retirement Benefits in accordance with FRS17	(1,409)	(2,065)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	1,798	1,891

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

Net Pension Assets at	31 March 2008 £'000	31 March 2009 £'000
Estimated Liabilities in the scheme	(63,186)	(61,359)
Estimated Assets in the scheme	52,192	39,189
Net Asset / (Liability)	(10,994)	(22,170)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £22.170m 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 increased by £11.002m.

The cumulative actuarial gains and losses since 2004/05 are shown below.

In addition to the Recognised Gains and Losses included in the Income and Expenditure Account, Actuarial (Gains)/ Losses of £11,002m (£5,022m in 2007/08) were included in the Statement of Recognised Gains and Losses

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:

Actuarial assumptions as at	31 March 2008 %	31 March 2009 %
Rate of inflation	3.60	3.10
Rate of increase in salaries	5.10	4.60
Rate of increase in pensions	3.60	3.10
Rate for discounting scheme liabilities (NB based on 3.5% real)	6.90	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.

Assets (Employer)	Long Term Return at 31 March 2008 % p.a.	Assets at 31 March 2008 £'000	Long Term Return at 31 March 2009 % p.a.	Assets at 31 March 2009 £'000
Equities	7.70	37,075	7.00	28,608
Bonds	5.70	9,993	5.40	7,054
Property	5.70	3,810	4.90	2,351
Cash	4.80	1,314	4.00	1,176
Total		52,192		39,189

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 2009 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 2008.

Assets and Liabilities in relation to Retirement Benefits

Funded liabilities: £000s	2007/2008	2008/2009
01 April	72,218	63,186
Current Service Cost	1,432	903
Interest Cost	3,878	4,321
Contributions by Scheme Participants	451	464
Actuarial Gains and Losses	(12,088)	(5,018)
Benefits Paid	(2,751)	(3,020)
Past Service Costs	-	425
Losses / Gains on curtailments	46	98
31 March		
	63,186	61,359

Reconciliation of fair value of the Scheme Assets

£000s	2007/2008	2008/2009
01 April	55,813	52,192
Expected Rate of Return	3,947	3,682
Actuarial gains and losses	(7,066)	(16,020)
Employer contributions	1,798	1,891
Contributions by scheme participants	451	464
Benefits paid	(2,751)	(3,020)
31 March		
	52,192	39,189

The expected Return on Scheme Assets is determined by considering the expected returns available on the Assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

The scheme history details the value of funded and unfunded liabilities from 2004/05 to 2008/09 and shows the annual change.

Scheme History	2004/2005	2005/2006	2006/2007 As Restated
Present Value of Liabilities	(62,970)	(73,150)	(72,218)
Present Value of Unfunded Liabilities	(682)	7,130	373
Fair Value of assets in the Local Government Pension Scheme	43,500	52,970	55,813
Surplus/(deficit) in the scheme	(9,362)	(130)	4,095
Cumulative	(9,362)	(9,492)	(5,397)

Scheme History	2007/2008 As Restated	2008/2009
Present Value of Liabilities	(63,186)	(61,359)
Present Value of Unfunded Liabilities	(3,869)	(15,998)
Fair Value of assets in the Local Government Pension Scheme	52,192	39,189
Surplus/(deficit) in the scheme	5,022	(22,170)
Cumulative	(375)	(22,545)

The £22.2 million net liability represents the difference between the value of the Authority's Pension Fund Assets at 31 March 2009 and the estimated Present Value of future pension fund payments to which it was committed at that date (£10,994m 2007/08).

The principal assumptions used by the Actuary have been:

Equity investments	7.70	7.00
Bonds	5.70	5.40
Property	5.70	4.90
Cash	4.80	4.00
Other		
Mortality assumptions: Longevity at 65 for current pensioners (years):		
Men	21.50	21.50
Women	24.40	24.40
Mortality assumptions: Longevity at 65 for future pensioners (years):		
Men	22.60	22.60
Women	25.50	25.50
Rate of inflation	3.60	3.10
Rate of increase in salaries	5.10	4.60
Rate of increase in pensions	3.60	3.10
Rate for discounting scheme liabilities	6.90	6.90
Take up option to convert annual pension into retirement lump sum	25.00%	25.00%

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

No work was carried out under the provisions of the above Act in 2008/09.

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	
	2007/08	2008/09
£50,000 - £59,999	12	6
£60,000 - £69,999	2	7
£70,000 - £79,999	2	-
£80,000 - £89,999	1	1
£90,000 - £99,999	1	-
£100,000 - £109,999	-	2

11. Members' allowances

Members' allowances of £203,387 (£190,089 in 2007/08) were paid in the year to 31st March 2009.

12. Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute arises out of capital expenditure which does not create a fixed asset (previously known as deferred charges). The revenue expenditure funded from capital under statute 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	-
Cultural, Environmental Regulatory and Planning	57
Highways Roads & Transportation	-
General Fund Housing Services	589
Adult Social Care	-
TOTAL	646

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 27 and 28 on page 35. Details of cash received from government grants are set out in note 38 on page 40.

Members of the Council have direct control over the Council's financial and operating policies. During 2008/09 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 2008/09 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.

Building Regulations Charging Account	Chargeable 2008/09 £	Non Chargeable 2008/09 £	Total Building Control 2008/09 £
Expenditure			
Employee expenses	165,534	145,232	310,766
Premises (Office Accommodation)	11,081	5,708	16,789
Transport	3,990	2,332	6,322
Supplies & Services	11,372	5,856	17,228
Central and support service charges	79,156	40,777	119,933
Total Expenditure	271,133	199,905	471,038
Income			
Building Regulation Charges	289,778	1,797	291,575
Total Income	289,778	1,797	291,575
(Surplus)/Deficit for Year	(18,645)	198,108	179,463
2007/08			
Expenditure	255,710	198,045	453,755
Income	281,418	2,355	283,773
Net	(25,708)	195,690	169,982

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 £65,112 has been achieved over the last 3 year period.

15. Disclosure of Audit Costs

In 2008/09, the Authority incurred the following fees relating to external audit and inspection:

	2007/08 £'000	2008/09 £'000
Fees payable for external audit services	87	88
Fees payable for statutory inspections	6	7
Certification of grant claims and returns	23	23
TOTAL	116	118

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. All land and property assets were revalued as at 1st April 2005 but due to the current economic climate and the effect this has had on property values, certain assets were re-valued as at 1st April 2008 (see also Note 21).

The total value of impairments in 2008/09 totalled £10,265,385. The most significant impairments related to Leisure Centres (£5,511,932), Kingston Road Car Park (£536,700) and the Elmsleigh Centre in Staines (£2,500,000) which accounted for £8,548,632 of the total. The Benwell Centre was revalued in line with the revised sale valuation.

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:

Movement in Fixed Assets	Land and Buildings £000's	Vehicles, Plant & Equipment £000's	Total Operational Assets £000's	Non Operational Assets £000's	Total Fixed Assets £000's
Cost or Valuation					
At 1 April 2008	40,645	2,468	43,113	14,154	57,267
Additions	1,074	973	2,047	75	2,122
Disposals	-	(1)	(1)	-	(1)
Reclassifications	-	-	-	-	-
Revaluations	7,911	-	7,911	(325)	7,586
Impairments	(7,289)	(281)	(7,570)	(2,696)	(10,266)
Reclassifications	-	-	-	-	-
At 31 March 2009	42,341	3,159	45,500	11,208	56,708
Depreciation and Impairments					
At 1 April 2008	2,713	387	3,100	-	3,100
Charge for 2008/09	1,428	597	2,025	-	2,025
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluations	-	-	-	-	-
At 31 March 2009	4,141	984	5,125	-	5,125
Balance Sheet at 31 March 2009	38,200	2,175	40,375	11,208	51,583
Balance Sheet at 1 April 2008	37,932	2,081	40,013	14,154	54,167
Nature of Asset Holdings					
Owned	38,200	2,175	40,375	11,208	51,583

The main items of capital expenditure and financing are shown on page 42. As at 31 March 2009 we had no contractual major capital commitments.

Reconciliation of additions fixed assets to total capital expenditure

	£'000
Total Capital Expenditure 2008/09	2,792
Less: expenditure incurred where no asset is owned by the Council or created	(670)
Additions to fixed assets	2,122

19. Statement of Physical Assets

The Council owned the following assets at 31st March 2009:

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.	3 Lorries 5 Vans 10 Other Vehicles 323 Personal Computers 79 Printers and Scanners 48 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.

20. Leases

There are no assets funded by means of finance leases.

21. 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 (5th Edition).

A general review of major asset classes was carried out during the year to reflect the effect the current economic climate has had on property values. The following asset classes were revalued as at 1st April 2008 by Campsies Estate Valuation Services:

Leisure Centres
Car Parks
Council Offices and Depot
Staines Town Centre Development

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.

22. Analysis of Net Assets Employed

	31 March 2008 £'000	31 March 2009 £'000
General Fund	63,362	45,245
Collection Fund	(150)	(48)
TOTAL	63,212	45,197

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.

23. 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.

24. Long Term Borrowing

We have no long term debt.

25. Contingent Liabilities

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

Mortgage Guarantees on 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. We do however feel that there is now very little likelihood that the contractors will pursue and win their claim

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.

Contingent Assets

Under the Fleming case legislation the Authority is currently awaiting confirmation from HM Revenue and Customs in respect of two claims submitted for refunds of VAT relating to leisure centre and trade / bulky waste collection. The claims are for up to £1m but with statutory interest could be worth approaching £2m.

26. Investments

	31 March		31 March	
	2008	£'000	2009	£'000
Long term:				
Capital Funds		10		0
Revenue Funds		9,720		8,471
		9,730		8,471
Short term:				
Temporary investment		10,872		13,615
TOTAL		20,602		22,086

27. Analysis of Debtors

	31 March		31 March	
	2008	£'000	2009	£'000
Central Government		2,643		692
Revenues & Customs		206		196
Council Taxpayers		1,360		1,369
General		2,557		3,306
Precepting Authorities		1,149		378
Less Provisions for Bad Debts		(737)		(1,237)
Total Debtors		7,178		4,704
Payments in Advance		58		193
		7,236		4,897

28. Analysis of Creditors

	31 March		31 March	
	2008	£'000	2009	£'000
Central Government		281		350
Inland Revenue		1		1
General		2,887		3,317
Total Creditors		3,169		3,668
Receipts in Advance		2,269		2,665
		5,438		6,333

29. Provisions

A claim against the Council has also been made in respect of Orchard Meadow, Sunbury.

The notice of claim was issued and we have recently received the outcome of the Lands Tribunal deliberations which occurred in March 2009. The decision made the Authority liable to pay the claim. A provision has therefore been made in the sum of £96,000 in respect of the estimated costs and interest payments for this liability.

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

Credit Risk:

Credit risk arises from deposits with banks and other financial institutions as well as credit exposures to the authority's customers.

The risk is minimised through the Annual Investment Strategy, which requires that investments and deposits are not made with institutions unless they meet identified minimum credit criteria, as laid down by Fitch Rating Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

No formal assessments 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 credit criteria in respect of financial assets currently held by the authority are detailed below. The following analysis summarises the Council's potential exposure to credit risk based on current market conditions:

		31 March 2009 £000's
Deposits with banks and financial institutions		
Fitch rating - AA, F1, B, 1	2,096	
Fitch rating - AA-, F1+, B/C, 1	1,727	
Fitch rating - AA-, F1+, E, 1	2,078	
Fitch rating - A+, F1+, C/D, 1	5,080	
Fitch rating - A-, F1+, D, 1	3,701	
Fitch rating - A-, F1+, F, 1	1,029	
		15,711
Euro-Sterling Bonds Rated AAA		6,374
Customers		4,704

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. Sector Treasury Services are used as advisors 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 purchased in 2008 with the intention of holding 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 0.69% to 2.18% for loans and receivables, dependant on the term remaining and market rates for similar investments as at 31st March 2009.

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.

31 March 2008	31 March 2008		31 March 2009	31 March 2009
Carrying Amount £000's	Fair Value £000's		Carrying Amount £000's	Fair Value £000's
		Financial Liabilities		
2,553	2,553	Short Term Borrowing	4,554	4,554
3,246	3,246	Trade and Other Creditors	3,668	3,668
		Financial Assets		
		Loans and Receivables		
9,720	9,784	Long Term Investments	2,096	2,096
5,869	5,613	Short Term Investments	13,615	13,615
37	37	Cash and Bank Balances	256	256
		Available For Sale Assets		
5,003	5,003	Euro-Sterling Bonds	6,374	6,374

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

The fair value of both long term and short term investments is the same as the carrying amount. Although 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, these instruments cannot be traded and the terms cannot be changed. The fair value of short-term borrowing is the same as the carrying amount because of the short remaining duration on these loans.

32. Post Balance Sheet Events

There are no post balance sheet events relevant to the 2008/09 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:

33. 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.

34. 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.

35. 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.

36. 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.

37. Financing

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

38.

Reconciliation of Net Revenue Deficit to Net Cash Flow		
	£'000	£'000
General Fund Deficit	14,076	
Collection Fund Deficit	<u>(92)</u>	
		13,984
Non-Cash Transactions		
Depreciation and Impairments	(10,673)	
Loss on Sale of Fixed Assets	(1)	
Net Contributions to/from Reserves	(174)	
Net Provision Set Aside and applied	<u>(145)</u>	
		(10,993)
Items on an Accrual Basis		
Decrease in Creditors	(1,651)	
Decrease in Stock	(41)	
Increase in Debtors	<u>(2,151)</u>	
		(3,843)
Items in Another Classification		
Servicing of Finance	1,440	
Management of Liquid Resources	26	
Capital Expenditure Financed from Revenue	<u>(847)</u>	
		619
Net Cash Inflow from Revenue Activities		<u>(233)</u>

Reconciliation of Movement in Cash to Movement in Net Debt			
	31.3.08 £'000	31.3.09 £'000	Movement £'000
Cash at bank/(overdraft)	(232)	(79)	153
Cash in hand	269	335	66
Increase/(Decrease) in cash and cash equivalents	37	256	219
Debt due within one year (short term borrowings)	(2,551)	(4,554)	(2,003)
Debt due after one year	0	0	0
Total Debt	(2,551)	(4,554)	(2,003)
Current Asset Investments (short term deposits)	5,500	13,615	8,115
Long Term Investments (over one year)	14,550	8,471	(6,079)
Total Investments	20,050	22,086	2,036
Net Funds/(Debt)	17,536	17,788	252

Reconciliation of Financing and Management of Liquid Resources			
	31.3.08 £'000	31.3.09 £'000	Movement £'000
Current Asset Investments (short term deposits)	5,500	13,615	8,115
Debt due within one year (short term borrowings)	(2,551)	(4,554)	(2,003)
Net Funds/(Debt)	2,949	9,061	6,112

Government Grants and Contributions	
Revenue Grants	£'000
NNDR Redistribution Grant	4,936
Revenue Support Grant	687
Housing Benefits Subsidy	28,003
Business rate Collection	148
Concessionary Fares	244
Economic Development Grant	49
Specific Grant – Disabled facilities	208
Planning Delivery Grant	301
Other	117
	<u>34,693</u>
Capital Grants	
DEFRA - Contaminated land	82
	<u>82</u>
TOTAL GOVERNMENT GRANTS	34,775

39. Capital Expenditure and Financing

	Summary of Capital Expenditure	2007/08	2008/09
		£'000	£'000
Housing	Improvement Grants	437	549
	Feasibility Studies and Capital Salaries	30	0
		467	549
Leisure	Public Halls	0	11
	Memorial Gardens	32	0
	Parks and Recreation Grounds	85	683
	Leisure Facilities	366	213
	Leisure Centres	1,521	51
	Allotments	6	0
	Museum	1	10
		2,011	968
Community Care	Day Centres	163	102
	Community Alarm System	31	44
		194	146
Highways and Transportation	Depot	93	42
	Vehicles & Plant	0	50
	Car Parks	163	68
		256	160
Environmental Services	Refuse Collection & Recycling	1,132	146
	Critical Ditches	43	16
	Environmental Initiatives	279	14
	Cemeteries	0	75
	Public Conveniences	45	0
	Community Safety/CCTV	7	0
	Street Cleansing	0	10
		1,506	261
Other	Loans/Grants to Voluntary Organisations	47	50
	Computer Developments	407	369
	Knowle Green	122	96
	Feasibility Studies and Capital Salaries	258	193
		834	708
	TOTAL CAPITAL EXPENDITURE	5,268	2,792

	2007/08	2008/09
Summary of Capital Financing	£'000	£'000
Borrowing	0	0
Capital Receipts	4,862	2,381
Specific Government Grants	242	252
Reserve and Other Funds	164	159
TOTAL CAPITAL FINANCING	5,268	2,792

40. Revenue Reserves

Fund	Bal B/fwd 1.4.08 £'000	Surplus/ Deficit £'000	Conts from/ (to) other funds	Financing £'000	Bal C/fwd 31.3.09 £'000
Risk Management	10	-	-	-	10
Capital Fund	1,541	-	-	948	593
Housing Initiatives	7,666	-	40	-	7,626
Lottery Fund	21	-	1	4	18
New Schemes Fund Rev	2,501	-	-	332	2,169
Good Causes Fund	3	-	-	-	3
Investment Valuation	47	-	47	-	-
Car Parks Reserve	111	-	-	-	111
Building Maintenance	24	-	24	-	-
Interest Equalisation					
Reserve	893	-	300	-	593
Insurance Reserve	150	-	17	-	133
Business Improvement					
Reserve	703	-	-	166	537
PDG Reserve	150	-	-	-	150
Carry Forward Reserve	200	-	-	50	150
Sub total	14,020	-	427	1,500	12,093
General Fund	1,571			215	1,356
Collection Fund	- 1,299	873	-	-	426
Total	14,292	873	427	1,715	13,023

41. Capital Reserves

Fund	Bal B/fwd 1.4.08 £'000	Transfer to Revenue £'000	Capital Credits £'000	Net Unrealised Gains/Losses £'000	Financing £'000	Bal C/fwd 31.3.09 £'000
Capital Adjustment Account	53,477	(12,573)			2,743	43,647
Revaluation Reserve	597			7,198		7,795
Available for Sale Reserve	9	(9)		145		145
Deferred Capital Receipts	15		(3)			12
Usable Capital Receipts	4,665		83		(2,381)	2,367
Pension Reserve	(10,994)			(11,176)		(22,170)
	47,769	(12,582)	80	(3,833)	362	31,796

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:

42. 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 - The account set up from 1st April 2007 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.

43. 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.

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.

44. Capital Commitments

There were no major contractual commitments as at 31 March 2009

45. Trust Funds

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

	As at 31.3.08 £	As at 31.3.09 £
Lord Mayor's National Flood Distress Fund	5,188	5,351

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

Collection Fund

2007/08 £'000		2008/09	
		£'000	£'000
	Income		
48,435	Income from Council Tax	51,130	
4,515	Council Tax Benefits	4,967	
52,950			56,097
35,482	Income from Business ratepayers		40,882
88,432	Total Income		96,979
	Expenditure		
53,238	Precepts and demands from County and Police Business Rate		56,273
35,012	Payment to the National Pool	40,192	
147	Costs of Collection	148	
(59)	Discretionary Rate Relief	(41)	
			40,299
	Bad and Doubtful Debts		
694	Bad Debts written off	416	
(134)	Increase in bad debt provision	348	
			764
67	Distribution of Surplus/(Deficit)		(1,230)
88,965	Total Expenditure		96,106
(766)	Balance brought forward 1st April 2008		(1,299)
(533)	Movement in Fund		873
(1,299)	Balance carried forward 31st March 2009		(426)

Breakdown of Balance as at 31st March 2009	2008/09 £'000
Surrey County Council	(321)
Surrey Police	(57)
Spelthorne BC	(48)
	(426)

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 2008/09 the following calculation was made:

Band	Number of Chargeable Dwellings	Ratio	Equivalent Band D Dwellings	Estimated Yield at £1,405.76 (Band D) £'000
A	285	6/9	190	267
B	1,321	7/9	1,027	1,444
C	6,849	8/9	6,088	8,558
D	12,481	1	12,481	17,545
E	8,884	11/9	10,859	15,265
F	4,151	13/9	5,996	8,429
G	1,898	15/9	3,163	4,446
H	93	18/9	186	261
Total	35,962		39,990	56,216
Allowance for Losses on Collection and Appeals			40	56
Council Tax Base and Expected Yield			40,030	56,272

The Actual Yield for the year was £56,021,867 the difference of £250,306 being attributable to the change in the numbers of properties in each Band between the initial calculation in November 2007 and the final figures in March 2009.

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 2009 was £101,626,408 and the multiplier for the year 2008/09 was 0.462.

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 2008/09	42,309
Less: Adjustments for Transition	480
Less: Debit Adjustments made in year for empty properties, revaluation including prior years etc.	0
Less: Reliefs and write offs	(1,907)
Net sum collectable	40,882
Less: Allowance for collection	(148)
Less: Bad Debt Provision	(542)
Payment to National Pool for 2008/09	40,192

3. Precepts and Demands

Precepts and Demands	2007/08 £'000	2008/09 £'000
Surrey County Council	40,272	42,354
Surrey Police	6,831	7,522
Spelthorne BC	6,135	6,397
	53,238	56,273

4. Distribution of Surplus

Distribution of Surplus/(Deficit)	2007/08 £'000	2008/09 £'000
Surrey County Council	50	(930)
Surrey Police	9	(158)
Spelthorne BC	8	(142)
	67	(1,230)

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 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 2009 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). 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 Cabinet 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 cabinet members, 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 Cabinet 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 Cabinet 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 handles complaints effectively. Following on from the work of the Code of Corporate Governance Task Group, the Council reviewed its corporate complaints process during 2008/09 to ensure that it can respond to the ever increasing expectations of the public for excellent public and customer service. Improvement recommendations are currently being considered.

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 reviewing all service areas of the Council.

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 2008/09 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 a 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 (the Task Group) which reviewed during 2007/08 the Council's governance arrangements and to assess them against the six CIPFA/SOLACE core principles underpinning the then new Code of Corporate Governance framework issued by CIPFA/SOLACE. The six principles are:

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

The Task Group reported on its work and findings to the Performance Management Review Committee (PMR) on 4th March 2008. The Task Group's recommendations relating to issues such as improving the corporate complaints process (report presented to PMR on 9th June 2009) and partnerships (report to PMR 9th June 2009) were progressed during 2009. The Task Group did not meet during 2008/09.

An officer working group consisting of Head of Audit Services, Head of Corporate Governance and Head of Finance and Resources completed, during 2007/08, a detailed assessment of the Council's position against the criteria set out in the eight objectives underpinning the Code of Governance framework. This officer group reviewed and updated the assessment during 2008/09, including reviewing the previous work of the Task Group.

The eight objectives are:

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

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

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

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

Significant governance issues

The overall opinion of the Head of Audit Services is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit Services during 2008-09. 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:

- MAT / Councillors should continue to review the Council's Corporate Risk Register and monitor ongoing actions. To reinforce this the Corporate Risk Register in addition to being reported quarterly to the Audit Committee will be reported twice yearly to Cabinet.

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.

At the end of March 2009 there were nine high risk audit recommendations outstanding which were:

1. All Service Plans should be updated annually and reflect new corporate priorities.
2. Penetration testing should be undertaken during 2008/09 to comply with mandatory requirements.
3. The authority should ensure the plans are fully communicated, tested and updated regularly.
4. A separate risk assessment is required to address contractual, financial/resources and legal/regulatory risks relating to contaminated land. Controls to reduce risks associated with potential lack of resources to undertake further detailed site investigations should be identified.
5. A procedure document required to clarify health and safety responsibilities/ arrangements where the authority leases out assets.
6. Managers should formalise protocols/agreements for all significant partnerships, ensuring that roles and responsibilities of each party are clear and risks identified. Outcomes should be monitored against expected targets/objectives.

The following is same point

7. There is scope for drawing up a partnership framework that applies to all significant partnerships, to ensure that proper governance arrangements exist around our partnerships. It is understood that the Head of Corporate Governance is currently reviewing partnership governance arrangements. Elmbridge Borough Council has identified all partnerships, categorised them into levels of significance, are developing a framework, and set up an officer working party to address partnership governance arrangements. SBC should work closely with Elmbridge to share best practice in this area.

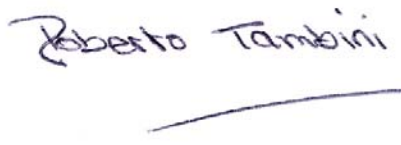
8. Mandatory training should be provided for relevant staff relating to the tendering, selection, awarding and monitoring of contracts, and applied to the management of contracts.

9. Staff should be reminded of the requirement to comply with Contract Standing Orders and Financial Regulations, and to seek approval for exemptions as appropriate. Staff should pass draft contract agreements to Legal for review (where over £20k or considered high risk) Regular contract monitoring should be carried out, to ensure that planned outcomes and objectives are met. Consideration should be given to how the system of contract management could be strengthened eg by channelling all asset related contracts through Asset Management.

The issues reported in last year's Annual Governance Statement with respect to project management, service planning, business continuity plans and partnership work have been addressed by management but will be kept under review



.....
John Packman
Leader of the Council



.....
Roberto Tambini
Chief Executive

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 regularly to review the adequacy and effectiveness of these arrangements.

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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Spelthorne Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.



Neil Thomas
Senior Statutory Auditor
for and on behalf of KPMG LLP
Chartered Accountants
Statutory Auditor
1 Canada Square
Canary Wharf
London
E14 5AG
30 September 2009

Independent auditors' report to the Members of Spelthorne Borough Council Opinion on the accounting statements

We have audited the accounting statements and related notes of Spelthorne Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Authority Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, and the Collection Fund. The accounting statements have 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 Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the financial statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes 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 accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

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 financial statements. 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.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises the Financial Review by the Chief Financial Officer. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

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 accounting statements, and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements 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 accounting statements 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 accounting statements, and related notes.

Opinion

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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.



Neil Thomas
Senior Statutory Auditor
for and on behalf of KPMG LLP
Chartered Accountants
Statutory Auditor
1 Canada Square
Canary Wharf
London
E14 5AG
30 September 2009

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. This account replaced the Capital Financing Account from 1st April 2007.

CAPITAL RECEIPTS

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

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.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions (fixed as an amount or as a percentage of pay) and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current prior periods.

DEPRECIATION

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

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the 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.