

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 2010.

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.

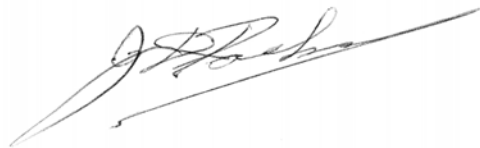
The Chief Financial Officer has also:

- 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 2010



Councillor J Packman
Leader of the Council

Date: 30 September 2010

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.

2008/09 Net Expenditure £'000		2009/10		
		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
4,400	Central Services to the public	9,474	6,656	2,818
18,269	Cultural, Environmental Regulatory and Planning Services	12,380	3,631	8,749
1,131	Highways and Transport Services	2,473	2,024	449
1,268	Housing services	27,366	26,387	979
1,057	Adult Social Care	1,621	664	957
1,466	Corporate and democratic core	2,000	67	1,933
31	Non Distributed Costs	14	0	14
0	Exceptional Item (see Note 12)	0	540	(540)
27,622	NET COST OF SERVICES	55,328	39,969	15,359
1	Loss on disposal of fixed assets			
(82)	Other income			
40	Interest payable and similar charges			1
1	Contribution of housing capital receipts to Government Pool			3
(1,506)	Interest and investment income			(864)
639	Pension interest costs and expected return on pensions assets			1652
26,715	NET OPERATING EXPENDITURE			16,151
(6,260)	Demand on the Collection Fund			(6,675)
(687)	General government grants			(1,331)
(4,936)	Non-domestic rates distribution			(4,591)
14,832	(SURPLUS) / DEFICIT FOR THE YEAR			3,554

T Collier

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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.

2008/09 £'000		2009/10 £'000
14,832	(Surplus)/Deficit for the year on the Income and Expenditure Account	3,554
(14,617)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund	(3,616)
	Balance for the year	
215	(Increase) / decrease in General Fund Balance for the Year	(62)
(1,571)	General Fund Balance brought forward	(1,356)
(1,356)	General Fund Balance carried forward	(1,418)

Reconciliation Statement

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

2008/09 £'000		2009/10 £'000
(12,793)	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	(2,722)
(12,290)	Depreciation and impairment of fixed assets	(1,870)
255	Government Grants Deferred amortisation	348
(671)	Revenue Expenditure Funded from Capital under statute	(752)
(174)	Net charges made for retirement benefits in accordance with FRS17	(680)
5	Amount by which the Council Tax included in the I&E differs from the amount taken to the General Fund	(24)
82	Other Income	256
65	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	42
66	Capital expenditure charged in-year to the General Fund Balance	45
(1)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(3)
(1,889)	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	(936)
(1,889)	Net transfer to or from ear marked reserves	(936)
(14,617)	Net additional amount required to be credited to the General Fund Balance for the year	(3,616)

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/(decrease) 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.

2008/09 £'000		2009/10 £'000
(14,832)	Deficit for the year on the Income and Expenditure Account	(3,554)
7,586	Surplus arising on revaluation of fixed assets	0
136	Surplus/(deficit) on revaluation of available for sale financial assets	56
(11,002)	Actuarial gains/(losses) on pension fund assets and liabilities	(15,686)
(18,112)	Total recognised gains / (losses) for the year	(19,184)

Balance Sheet as at 31 March 2010

2008/09 £'000		2009/10	
		£'000	£'000
	FIXED ASSETS (Note 16)		
	Operational Assets		
38,200	Other Land and Buildings	37,005	
2,175	Vehicles, Plant and Equipment	2,653	39,658
	Non-Operational Assets		
9,749	Investment Properties	9,749	
1,459	Surplus Assets held for disposal	784	10,533
51,583	TOTAL FIXED ASSETS		50,191
8,471	Long Term Investments (Note 24)		6,385
199	Long Term Debtors		131
60,253	TOTAL LONG TERM ASSETS		56,707
	CURRENT ASSETS		
38	Stocks and Work in Progress	47	
13,615	Short Term Investments (Note 24)	5,114	
3,087	Debtors (Note 25)	7,296	
193	Payments in Advance	148	
256	Cash in Hand	733	13,338
77,442	TOTAL ASSETS		70,045
	CURRENT LIABILITIES		
(4,554)	Temporary loans	(1,534)	
(669)	Receipts in Advance	(649)	
(4,047)	Creditors (Note 26)	(2,607)	(4,790)
68,172	TOTAL ASSETS LESS CURRENT LIABILITIES		65,255
	LONG TERM LIABILITIES		
(22,170)	Defined Benefit Pension Scheme Liability (Note 6)	(38,536)	
(96)	Provisions (Note 27)		
(709)	Deferred Credits	(706)	(39,242)
45,197	TOTAL ASSETS LESS LIABILITIES		26,013
	FINANCED BY:		
7,795	Revaluation Reserve (Note 38)		7,186
145	Available-for-sale Financial Instruments Reserve		202
43,647	Capital Adjustment Account (Note 38)		42,733
(48)	Collection Fund Adjustment Account		(72)
12	Deferred Capital Receipts		9
2,367	Usable Capital Receipts (Note 38)		1,932
(22,170)	Pensions Reserve (Note 38)		(38,536)
12,093	Earmarked Reserves (Note 37)		11,141
1,356	General Fund Balance		1,418
45,197	TOTAL NET WORTH (Note 19)		26,013

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.

2008/09 £'000	Revenue Activities	2009/10	
		£'000	£'000
	Expenditure		
12,137	Employment Costs	12,479	
10,817	Other Operating Costs	11,871	
21,670	Housing Benefits	31,017	
1	Payments to Capital Receipts Pool	<u>3</u>	
44,625			55,370
	Income		
(624)	Rents (net of Rebates)	(552)	
(5,833)	Council Tax Income	(6,072)	
(4,936)	National non-domestic rate receipts from National Pool	(4,591)	
(687)	Revenue Support Grant	(1,060)	
(23,602)	DWP Rebate Subsidy	(32,178)	
(1,067)	Other Government Grants	(769)	
(5,635)	Cash received for Goods and Services	<u>(7,038)</u>	
(42,384)			(52,260)
2,241	Surplus from Revenue activities (see Note 35)		3,110
	Servicing of Finance		
42	Interest Paid	1	
(1,482)	Interest Received	<u>(1,562)</u>	
(1,440)	Total Servicing of Finance		(1,561)
801			1,549
	Capital Activities		
	Expenditure		
1,658	Purchase of fixed assets	1,142	
8,134	Purchase of long term investments	0	
1,369	Other	<u>735</u>	
11,161			1,877
	Income		
(284)	Sale of fixed assets	(871)	
(82)	Capital Grants Received	(429)	
(528)	Other Capital Cash Income	<u>(68)</u>	
(894)			(1,368)
11,068	Net Cash Outflow before Financing		2,058
	Management of Liquid Resources		
(6,810)	Net decrease in short term deposits	(10,200)	
(1,377)	Business Rates due to/from the Government	4,768	
(1,097)	Council Tax receipts under/overpaid to major preceptors	<u>(123)</u>	
(9,284)			(5,555)
	Financing		
24,840	Cash Outflows - Repayment of amounts borrowed	22,921	
(26,843)	Cash Inflows - New short term loans raised	<u>(19,901)</u>	
(2,003)			3,020
(219)	Net (Increase)/Decrease in Cash (see Note 35)		(477)

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 2008/09.

2008/09 Net £'000	Service Area	2009/10 Expenditure £'000	2009/10 Income £'000	2009/10 Net £'000
CENTRAL SERVICES TO THE PUBLIC				
270	Elections and the Electoral registration	252	3	249
560	General grants	515		515
49	Local Land Charges	141	157	(16)
60	Council Tax Benefits	5,559	5,627	(68)
571	Local Tax collection	946	411	535
916	Communications	283	0	283
783	MAT	105		105
39	DS Management Team	131	0	131
842	Environment	792	34	758
125	Community Safety			0
185	Other	750	424	326
<u>4,400</u>		<u>9,474</u>	<u>6,656</u>	<u>2,818</u>
CULTURAL ENVIROMENTAL AND PLANNING SERVICES				
1,880	Open Spaces *	2,185	243	1,942
552	Leisure and Culture	684	127	557
1,147	Planning and Building Control	2,039	754	1,285
3,373	Refuse and Recycling	3,795	736	3,059
6,948	Recreation and Sport *	922	142	780
53	Day Centres *	35	17	18
(11)	Environmental Initiatives	40		40
1,181	Environmental and Public Health	1,269	198	1,071
251	Cemeteries	154	183	(29)
301	Community Safety	447	167	280
2,536	Property Expenses *	527	39	488
58	Other	283	1,025	(742)
<u>18,269</u>		<u>12,380</u>	<u>3,631</u>	<u>8,749</u>
HIGHWAYS ROADS AND TRANSPORT SERVICES				
668	Parking Services *	1,838	1,774	64
311	Concessionary Fares	599	250	349
152	Other	36		36
<u>1,131</u>		<u>2,473</u>	<u>2,024</u>	<u>449</u>
HOUSING SERVICES				
(68)	Housing Benefits	25,618	25,890	(272)
712	Housing	1,312	9	1,303
222	Homelessness	371	148	223
310	Private Sector Housing	63	13	50
92	Housing Management	2	327	(325)
<u>1,268</u>		<u>27,366</u>	<u>26,387</u>	<u>979</u>

2008/09 Net £'000	Service Area	2009/10 Expenditure £'000	2009/10 Income £'000	2009/10 Net £'000
	ADULT SOCIAL CARE SERVICES			
257	Community Care Administration	251	4	247
606	Day Centres *	749	219	530
64	Meals on wheels	249	180	69
122	Spelthorne Accessible Transport	216	71	145
8	Spelthorne Personal Alarm Network *	156	190	(34)
<u>1,057</u>		<u>1,621</u>	<u>664</u>	<u>957</u>
	CORPORATE AND DEMOCRATIC CORE			
590	Corporate Management	1,122	49	1,073
254	Committee Services	244	9	235
111	Corporate Governance	136		136
511	Democratic Representation and Management	498	9	489
<u>1,466</u>		<u>2,000</u>	<u>67</u>	<u>1,933</u>
31	Non Distributed Costs	14	0	14
0	Exceptional Item - VAT Refund	0	540	(540)
<u>31</u>		<u>14</u>	<u>540</u>	<u>(526)</u>
27,622	REVENUE NET COST OF SERVICES	55,328	39,969	15,359

General Government Grants of £1,331k are included in the Income and Expenditure Account. This figure includes Revenue Support Grant (RSG) of £1,060k and Planning Delivery Grant of £271k.

The net movement between years reflects impairment charges of £10.3m made in 2008/09 where the Council carried out a revaluation of major assets affected by the economic downturn at the time. The services charged are marked above with an asterisk *. There were no impairments in 2009/10.

2. Agency Services

Spelthorne Borough Council is now treated as acting as an agent for the government when collecting business rates and for Surrey County Council and Surrey Police Authority when collecting their shares of council tax. The comparative figures for 2008/09 have been restated to recognise this.

3. 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

4. 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 2010 to making payments of £434,323 under operating leases in 2010/11, comprising the following elements:

	Other Land and Buildings (2009/10) £'000	Vehicles, plant and Equipment (2009/10) £'000
Leases Expiring in 2010/11	-	323
Leases Expiring between 2011/12 and 2016/17	-	73
Leases Expiring after 2016/17	-	38
	-	434

Expenditure on operating leases in 2009/10 was £813,887 (2008/09 £976,981). There was no finance lease expenditure in 2009/10.

With regard to the authority's activity as a lessor, the rentals receivable in the year 2009/10 amounted to £821,628 (2008/09 £339,001). The value of assets held for use in operating leases amounted to £20,369,712 valued at 31.3.09 and subject to £375,280 depreciation to 31.3.10.

5. 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	
Capital Fund	150
Business Improvement	302
Carry Forward	150
New Schemes Fund	315
Insurance Fund	15
Lottery and Good Causes Funds	5
TOTAL	937

6. 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 2011 is £1.68m.

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 2009 £'000	Year to 31 March 2010 £'000
Net Cost of Services		
Current Service Cost	(903)	(901)
Curtailments & Settlements	(98)	(76)
Past service costs	(425)	
Net Operating Expenditure		
Interest Cost	(4,321)	(4,170)
Expected Return on Assets in the Scheme	3,682	2,518
Amounts to be met from Government Grants and Local Taxation		
Movement on Pensions Reserve	(174)	(680)
Actual amount charged against council tax for pensions in the year		
Employers contributions payable to the scheme	(1,891)	(1,949)

	31 March 2009 £'000	31 March 2010 £'000
Statement of Movement on the General Fund Balance		
Reversal of charges made for Retirement Benefits in accordance with FRS17	(2,065)	(2,629)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	1,891	1,949

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

Net Pension Assets at	31 March 2009 £'000	31 March 2010 £'000
Estimated Liabilities in the scheme	(61,359)	(93,230)
Estimated Assets in the scheme	39,189	54,694
Net Asset / (Liability)	(22,170)	(38,536)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £38.536m 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 £16.366m.

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 Losses of £15,686 m (£11,022m in 2008/09) 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 2009 %	31 March 2010 %
Rate of inflation	3.10	3.80
Rate of increase in salaries	4.60	5.30
Rate of increase in pensions	3.10	3.80
Rate for discounting scheme liabilities (NB based on 3.5% real)	6.90	5.50

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 2009 % p.a.	Assets at 31 March 2009 £'000	Long Term Return at 31 March 2010 % p.a.	Assets at 31 March 2010 £'000
Equities	7.00	28,608	7.80	41,020
Bonds	5.40	7,054	5.00	9,298
Property	4.90	2,351	5.80	3,282
Cash	4.00	1,176	4.80	1,094
Total		39,189		54,694

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 2010 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	2008/09	2009/10
01 April	63,186	61,359
Current Service Cost	903	901
Interest Cost	4,321	4,170
Contributions by Scheme Participants	464	510
Actuarial Gains and Losses	(5,018)	29,583
Benefits Paid	(3,020)	(3,369)
Past Service Costs	425	-
Losses / Gains on curtailments	98	76
31 March		
	61,359	93,230

Reconciliation of fair value of the Scheme Assets

£000s	2008/09	2009/10
01 April	52,192	39,189
Expected Rate of Return	3,682	2,518
Actuarial gains and losses	(16,020)	13,897
Employer contributions	1,891	1,949
Contributions by scheme participants	464	510
Benefits paid	(3,020)	(3,369)
31 March		
	39,189	54,694

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 2009/10 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)
Experience gains/(losses)	(682)	7,130	373
Fair Value of assets in the Local Government Pension Scheme	43,500	52,970	55,813
Actuarial gains/(losses) recognised in the STRGL	(9,362)	(130)	4,095
Cumulative actuarial gains/(losses)	(9,362)	(9,492)	(5,397)

Scheme History	2007/2008 As Restated	2008/2009	2009/2010
Present Value of Liabilities	(63,186)	(61,359)	(93,230)
Experience gains/(losses)	(3,869)	(15,998)	13,725
Fair Value of assets in the Local Government Pension Scheme	52,192	39,189	54,694
Actuarial gains/(losses) recognised in the STRGL	5,022	(11,002)	(15,686)
Cumulative actuarial gains/(losses)	(375)	(11,377)	(27,063)

The £38.6 million net liability represents the difference between the value of the Authority's Pension Fund Assets at 31 March 2010 and the estimated Present Value of future pension fund payments to which it was committed at that date (£22,170m 2008/09).

The principal assumptions used by the Actuary have been:

	2008/09	2009/10
Equity investments	7.00	7.80
Bonds	5.40	5.00
Property	4.90	5.80
Cash	4.00	4.80
Mortality assumptions: Longevity at 65 for current pensioners (years):		
Men	21.50	22.70
Women	24.40	26.10
Mortality assumptions: Longevity at 65 for future pensioners (years):		
Men	22.60	24.80
Women	25.50	28.30
Rate of inflation	3.10	3.80
Rate of increase in salaries	4.60	5.30
Rate of increase in pensions	3.10	3.80
Rate for discounting scheme liabilities	6.90	5.50
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.

7. 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 £5,000, is shown in the table below.

Remuneration Band (inc Salary and Benefits)	Number	
	2008/09 Restated	2009/10
150,000 - 154,999		1
145,000 - 149,999		
140,000 - 144,999		
135,000 - 139,999		
130,000 - 134,999		
125,000 - 129,999		
120,000 - 124,999		
115,000 - 119,999		
110,000 - 114,999		1
105,000 - 109,999	1	
100,000 - 104,999	1	
95,000 - 99,999		
90,000 - 94,999		
85,000 - 89,999		1
80,000 - 84,999	1	1
75,000 - 79,999		1
70,000 - 74,999		1
65,000 - 69,999	3	5
60,000 - 64,999	4	
55,000 - 59,999	1	4
50,000 - 54,999	5	5
	16	20

8. Senior Officer Remuneration

Title	Salary (Taxable)	Compensation (Redundancy)	Benefits In Kind	Total (excl Employer's Pension Contributions)	Employer's Pension Contributions	Total (incl Employer's Pension Contributions)
	£	£	£	£	£	£
Assistant Chief Executive B. Coe	71,950	78,287		150,237	5,067	155,304
Chief Executive	112,693			112,693	8,584	121,277
Deputy Chief Executive	84,687		3,056	87,743	6,842	94,585
Assistant Chief Executive	66,564		3,078	69,642	5,067	74,710
Assistant Chief Executive	69,660			69,660	4,995	74,655
Assistant Chief Executive	61,242		6,001	67,243	4,722	71,965
Head of Corporate Governance	65,890			65,890	4,627	70,517

9. Members' allowances

Members' allowances of £208,175 (£203,387 in 2008/09) were paid in the year to 31st March 2010.

10. 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	55
Cultural, Environmental Regulatory and Planning	103
Highways Roads & Transportation	7
General Fund Housing Services	587
TOTAL	752

11. 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 25 and 26 on page 37. Details of cash received from government grants are set out in note 35 on page 43.

Members of the Council have direct control over the Council's financial and operating policies. During 2009/10 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 2009/10 there were no related party transactions between the Council and Senior Officers.

12. Exceptional Item

The Council received a refund from HMRC in the sum of £540k which was the result of a successful claim submitted in respect of the High Court judgement in the Fleming case. The refund was in respect of charges levied for specified leisure activities during the years 1990 to 1994, plus interest. Further claims have been submitted but the outcome of these is uncertain.

13. Disclosure of Audit Costs

In 2009/10, the Authority incurred the following fees relating to external audit and inspection:

	2008/09 £'000	2009/10 £'000
Fees payable for external audit services	88	74
Fees payable for statutory inspections	7	9
Certification of grant claims and returns	23	21
TOTAL	118	104

Notes to the Statement of Movement of General Fund Balance

14. 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

15. 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

16. 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 valued as at 1st April 2005. Some of the Council's major assets were re-valued during 2008/09 due to the changing economic climate and a complete re-valuation of all land and buildings will be carried out during 2010.

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 2009	42,342	3,159	45,501	11,208	56,709
Additions	133	1,019	1,152	-	1,152
Disposals	-	-	-	(675)	(675)
Reclassifications	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairments	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31 March 2010	42,475	4,178	46,653	10,533	57,186
Depreciation and Impairments					
At 1 April 2009	4,142	984	5,126	-	5,126
Charge for 2009/10	1,328	541	1,869	-	1,869
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluations	-	-	-	-	-
At 31 March 2010	5,470	1,525	6,995	-	6,995
Balance Sheet at 31 March 2010	37,005	2,653	39,658	10,533	50,191
Balance Sheet at 1 April 2009	38,200	2,175	40,375	11,208	51,583
Nature of Asset Holdings					
Owned	37,005	2,653	39,658	10,533	50,191

The main items of capital expenditure and financing are shown on page 42. As at 31 March 2010 we had no contractual major capital commitments.

Reconciliation of additions fixed assets to total capital expenditure

	£'000
Total Capital Expenditure 2009/10	1,904
Less: expenditure incurred where no asset is owned by the Council or created	(752)
Additions to fixed assets	1,152

The Council owned the following assets at 31st March 2010:

Buildings	Land
1 Civic Centre 1 Depot 2 Leisure Centres with Pool 5 Public Halls 4 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. These include 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.

17. Leases

There are no assets funded by means of finance leases.

18. 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.

The Council is required to re-value its property assets at least once every five years and a complete re-valuation of all the Council's land and buildings will be carried out during 2010. In the meantime, the Council is not aware of any material changes in value so the valuations were not updated during 2009/10.

19. Analysis of Net Assets Employed

	31 March 2009 £'000	31 March 2010 £'000
General Fund	45,245	26,085
Collection Fund	(48)	(72)
TOTAL	45,197	26,013

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 mainly due to the increase in the liabilities due in respect of the defined benefit pension scheme.

20. 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.

21. Long Term Borrowing

The Council has no long term debt.

22. 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.

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.

23. 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 courses and bulky waste collection. The claims are for up to £100k but with statutory interest could be worth approaching £200k. In addition a claim has been submitted in respect of trade refuse collection but there is a significantly lower probability of this being paid.

24. Investments

	31st March 2009 £'000	31st March 2010 £'000
Long term:		
Revenue Funds	8,471	6,385
Short term:		
Temporary Investments	13,615	5,114
TOTAL	22,086	11,499

25. Analysis of Debtors

	31 March 2009 £'000	31 March 2010 £'000
Central Government	692	470
Revenues & Customs	196	178
Council Taxpayers	158	151
General	2,296	6,661
Less Provisions for Bad Debts	(255)	(164)
Total Debtors	3,087	7,296
Payments in Advance	193	149
	3,280	7,445

The collection of council tax and business rates is now treated as an agency agreement and the figures for 2008/09 have been restated accordingly. The balance sheet now only includes the Spelthorne share of total council taxpayer arrears and credits. More information about this change is included in the Accounting Policies section of these Statements on page 8.

26. Analysis of Creditors

	31 March 2009 £'000	31 March 2010 £'000
Central Government	577	240
Inland Revenue	1	1
General	3,469	2,366
Total Creditors	4,047	2,607
Receipts in Advance	669	(649)
	5,438	1,958

27. Provisions

A claim against the Council was made in respect of Orchard Meadow, Sunbury and a provision of £96,000 was made in 2008/09. This claim has now been settled following the outcome of the Lands Tribunal deliberations.

28. 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.

This 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.

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 2010 £000's
Deposits with banks and financial institutions		
Fitch rating - AA-, F1+, B, 1	2,097	
Fitch rating - AA-, F1+, C, 1	3,017	
Fitch rating - A-, F2, B/C, 3	424	
		5,538
Euro-Sterling Bonds Rated AAA		6,385
Customers		7,125

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.

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.

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 2009 Carrying Amount £000s	31 March 2009 Fair Value £000s		31 March 2010 Carrying Amount £000s	31 March 2010 Fair Value £000s
		Financial Liabilities		
4,554	4,554	Short Term Borrowing	1,535	1,535
4,047	4,047	Trade and Other Creditors	2,436	2,436
		Financial Assets		
		Loans and Receivables		
2,096	2,096	Long Term Investments	-	-
13,615	13,615	Short Term Investments	5,114	5,114
256	256	Cash and Bank Balances	733	733
		Available For Sale Assets		
6,374	6,374	Euro-Sterling Bonds	6,385	6,385

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

Summary of Amounts taken to the I&E and STRGL	Financial Liabilities	Financial Assets		Total
	At Amortised Cost	Loans & Receivables	Available for Sale Assets	
Interest Payable and similar charges	1	10	0	
Interest and Investment income		(607)	(257)	(864)
Surplus arising on revaluation of financial assets			(57)	(57)
Net (Gain)/Loss for the year	1	(607)	(314)	(920)

29. Prior Year Adjustments

Previously, balances relating to business ratepayers accounts were included in the Balance Sheet. Spelthorne is now treated as acting as agent for the government when collecting business rates and the comparative figures for 2008/09 have been restated accordingly. The prior period adjustment is effected by deleting all of the previous balances and replacing them with a net creditor for Central Government.

Prior Year adjustment for agency accounting for NNDR	
	2008/09
Arrears	1,011
Impairment Allowance for doubtful debts	(467)
Overpayments	(771)
Prepayments amounts due to the National Pool for instalments paid in excess of final amount payable	(70)
Net creditor for Central Government	(297)

30. Post Balance Sheet Events

"The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%".

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:

31. 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.

32. 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.

33. 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.

34. 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.

35. Financing

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

Reconciliation of Net Revenue Deficit to Net Cash Flow		
	£'000	£'000
General Fund Deficit		3,554
Non-Cash Transactions		
Depreciation and Impairments	(1,870)	
Loss on Sale of Fixed Assets	0	
Net Contributions to/from Reserves	(680)	
Net Provision Set Aside and applied	187	
	<u> </u>	(2,363)
Items on an Accrual Basis		
Decrease in Creditors	1,607	
Decrease in Stock	9	
Increase in Debtors	3,953	
	<u> </u>	5,569
Items in Another Classification		
Servicing of Finance	676	
Management of Liquid Resources	(4,202)	
Capital Expenditure Financed from Revenue	(124)	
	<u> </u>	(3,650)
Net Cash Inflow from Revenue Activities		<u>3,110</u>

Reconciliation of Movement in Cash to Movement in Net Debt			
	31.3.09 £'000	31.3.10 £'000	Movement £'000
Cash at bank/(overdraft)	(79)	0	(79)
Cash in hand	335	733	(398)
Increase/(Decrease) in cash and cash equivalents	256	733	(477)
Debt due within one year (short term borrowings)	(4,554)	(1,535)	(3,019)
Debt due after one year	0	0	0
Total Debt	(4,554)	(1,535)	(3,019)
Current Asset Investments (short term deposits)	13,615	5,114	8,501
Long Term Investments (over one year)	8,471	6,385	2,086
Total Investments	22,086	11,499	10,587
Net Funds/(Debt)	17,788	10,697	(7,091)

Reconciliation of Financing and Management of Liquid Resources			
	31.3.09 £'000	31.3.10 £'000	Movement £'000
Current Asset Investments (short term deposits)	13,615	5,114	(8,501)
Debt due within one year (short term borrowings)	(4,554)	(1,535)	3,019
Net Funds/(Debt)	9,061	3,579	(5,482)

Government Grants and Contributions	
Revenue Grants	£'000
NNDR Redistribution Grant	4,591
Revenue Support Grant	1,060
Housing Benefits Subsidy	32,178
Business rate Collection	146
Concessionary Fares	250
Economic Development Grant	50
Planning Delivery Grant	271
Other	52
	<hr/>
	38,598
Capital Grants	
Specific Grant – Disabled facilities	250
DEFRA - Contaminated land	22
	<hr/>
	272
	<hr/>
TOTAL GOVERNMENT GRANTS	38,870

36. Capital Expenditure and Financing

	Summary of Capital Expenditure	2008/09 £'000	2009/10 £'000
Housing	Improvement Grants	549	586
	Grants to Housing Associations	-	15
		549	601
Leisure	Public Halls	11	-
	Parks and Recreation Grounds	683	268
	Leisure Facilities	213	-
	Leisure Centres	51	-
	Museum	10	-
		968	268
Community Care	Day Centres	102	-
	Community Alarm System	44	9
		146	9
Highways and Transportation	Depot	42	-
	Vehicles & Plant	50	-
	Car Parks	68	22
		160	22
Environmental Services	Refuse Collection & Recycling	146	240
	Critical Ditches	16	-
	Environmental Initiatives	14	143
	Cemeteries	75	-
	Street Cleansing	10	-
		261	383
Other	Loans/Grants to Voluntary Organisations	50	5
	Computer Developments	369	505
	Knowle Green	96	-
	Feasibility Studies and Capital Salaries	193	111
		708	621
	TOTAL CAPITAL EXPENDITURE	2,792	1,904

	2008/09 £'000	2009/10 £'000
Summary of Capital Financing		
Borrowing	-	-
Capital Receipts	2,381	1,308
Specific Government Grants	252	348
Reserve and Other Funds	159	248
TOTAL CAPITAL FINANCING	2,792	1,904

37. Revenue Reserves

Fund	Bal B/fwd 1.4.09 £'000	Surplus/ Deficit £'000	Conts from/ (to) other funds	Capital Financing £'000	Bal C/fwd 31.3.10 £'000
Risk Management	10				10
Capital Fund	593		- 150		443
Housing Initiatives	7,626			- 15	7,611
Lottery Fund	18		- 5		13
New Schemes Fund Rev	2,169		- 315		1,854
Good Causes Fund	3				3
Car Parks Reserve	111				111
Interest Equalisation Reserve	593				593
Insurance Reserve	133		- 15		118
Business Improvement Reserve	537		- 302		235
PDG Reserve	150				150
Carry Forward Reserve	150		- 150		-
Sub total	12,093	-	- 937	- 15	11,141
General Fund	1,356	62			1,418
Total	13,449	62	- 937	- 15	12,559

38. Capital Reserves

Fund	Bal B/fwd 1.4.09 £'000	Transfer to Revenue £'000	Capital Credits £'000	Net Unrealised Gains/Losses £'000	Financing £'000	Bal C/fwd 31.3.10 £'000
Capital Adjustment Account	43,647	860			(1,774)	42,733
Revaluation Reserve	7,795			(609)		7,186
Available for Sale Reserve	145			57		202
Deferred Capital Receipts	12		(3)			9
Usable Capital Receipts	2,367		872		(1,307)	1,932
Pension Reserve	(22,170)			(16,366)		(38,536)
	31,796	860	869	(16,918)	(3,081)	13,526

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:

39. 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.

40. Earmarked Revenue Reserves

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

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.

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

41. Capital Commitments

There were no major contractual commitments as at 31 March 2010.

42. Trust Funds

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

	As at 31.3.09 £	As at 31.3.10 £
Lord Mayor's National Flood Distress Fund	5,351	5,365

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

Collection Fund

2008/09 £'000		2009/10	
		£'000	£'000
	Income		
51,130	Income from Council Tax	52,468	
4,967	Council Tax Benefits	5,559	
56,097			58,027
40,882	Income from Business ratepayers		41,892
	Contributions		
1,230	Towards previous year's estimated deficit		179
98,209	Total Income		100,098
	Expenditure		
56,273	Precepts and demands from County and Police		58,252
	Business Rate		
40,192	- Payment to the National Pool	41,163	
148	- Costs of Collection	147	
(41)	- Discretionary Rate Relief	0	
			41,310
	Bad and Doubtful Debts		
416	- Write offs	876	
348	- Provisions	(141)	735
97,336	Total Expenditure		100,297
(1,299)	Balance brought forward 1st April 2009		(426)
873	Movement in Fund		(199)
(426)	Balance carried forward 31st March 2010		(625)

2008/09 £'000	Breakdown of Balance as at 31st March 2010	2009/10 £'000
(321)	Surrey County Council	(469)
(57)	Surrey Police	(84)
(48)	Spelthorne BC	(72)
(426)		(625)

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 2009/10 the following calculation was made:

Band	Number of Chargeable Dwellings	Ratio	Equivalent Band D Dwellings	Estimated Yield at £1,450.34 (Band D) £'000
A	294	6/9	196	284
B	1,335	7/9	1,038	1,505
C	6,969	8/9	6,195	8,985
D	12,601	1	12,601	18,276
E	8,861	11/9	10,830	15,707
F	4,105	13/9	5,930	8,601
G	1,890	15/9	3,150	4,569
H	92	18/9	184	267
Total	36,147		40,124	58,193
Allowance for Losses on Collection and Appeals			40	59
Council Tax Base and Expected Yield			40,164	58,252

The Actual Yield for the year was £58,027,109 the difference of £224,347 being attributable to the change in the numbers of properties in each Band between the initial calculation in November 2008 and the final figures in March 2010.

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 2010 was £99,039,893 and the multiplier for the year 2009/10 was 0.485.

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 2009/10	47,897
Less: Adjustments for Transition	262
Less: Debit Adjustments made in year for empty properties, revaluation including prior years etc.	(4,228)
Less: Reliefs and write offs	(2,039)
Net sum collectable	41,892
Less: Allowance for collection	(147)
Less: Bad Debt Provision	(582)
Payment to National Pool for 2009/10	41,163

3. Precepts and Demands

Precepts and Demands	2008/09 £'000	2009/10 £'000
Surrey County Council	42,354	43,746
Surrey Police	7,522	7,787
Spelthorne BC	6,397	6,719
	56,273	58,252

4. Distribution of Surplus

Distribution of Surplus/(Deficit)	2008/09 £'000	2009/10 £'000
Surrey County Council	(930)	(135)
Surrey Police	(158)	(24)
Spelthorne BC	(142)	(20)
	(1,230)	(179)

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 2010 and up to the date of approval of the statement of accounts.

The Governance Framework

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

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

- The Council publishes on an annual basis its Corporate Plan. The Council's current Corporate Plan 2008-11 is published on the website http://www.spelthorne.gov.uk/your_council-corporateplan). The Corporate Plan and priorities feed into the Service Plans which set out the financial and performance objectives of each service for the year
- Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective.

Reviewing our vision and its implications for our governance arrangements

- The Council regularly reviews the authority's vision and its implications for the authority's governance arrangements. The Council reviewed and 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 Cabinet is also responsible for most of the non-regulatory functions of the Council. The Executive is made up of the Leader and eight other cabinet members, who are all appointed by the Council. Major decisions which affect significant proportions of the community are published in advance in the Cabinet's Forward Plan, and will always (unless there are exceptional circumstances) be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.
- There were 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. Commencing in 2010-11 the two Committees will be combined into a single Overview and Scrutiny Committee. A "call-in" procedure allows scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The scrutiny 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 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 three years both Financial Regulations and Contract Standing Orders have been revised in light of changing circumstances. Refresher Training on application of the contract standing orders has been provided to officers.

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

- Spelthorne 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 2009/10 included:

- The setting of the outline budget framework and the detailed annual budget;
- Monitoring of actual income and expenditure against the annual budget;
- Detailed scrutiny and review of all service areas' budgets by the Member Budget Task Group which reported its recommendations in February 2010
- Setting of financial and performance targets, including the prudential code and associated indicators;
- Monthly reporting of the Council's financial position to corporate Management Team and quarterly to the Cabinet and the 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 review of the effectiveness of internal audit is undertaken annually and considered by the Audit Committee.

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

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

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.

- The Chief Finance Officer is currently the authority's risk champion. Audit Services support the risk management process through the risk based audit approach and by assisting services in the review of annual risk assessments. Risk management is built into the Council's corporate project methodology.
- The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- A 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 Corporate Governance is currently reviewing the governance of partnerships.

The ethical conduct of members and officers of this Council

- The Council has under the Constitution established a Standards Committee and a Members Code of Conduct.

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 assessed them against the six CIPFA/SOLACE core principles underpinning the then new Code of Corporate Governance framework issued by CIPFA/SOLACE. The six principles are:

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

An officer working group consisting of Head of Audit Services, Head of Corporate Governance and Head of Finance and Resources completed during 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 2009-10, 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 is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit Services during 2009/10 which is summarised in the report below.

Any shortcomings identified with a significant level of risk attached have been reported to the Audit Committee and have been transferred into the Council's Corporate Risk Register for quarterly monitoring. The following issues are outstanding at 31 March 2010:

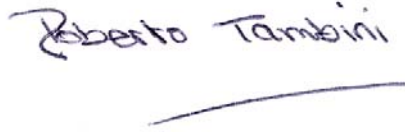
1. All service plans should be updated following a review of corporate priorities.
2. The review of health and safety procedures and responsibilities relating to leased assets should be finalised.

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.

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



.....
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 2010.

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.



Andrew Sayers
Senior Statutory Auditor
for and on behalf of KPMG LLP
Chartered Accountants
Statutory Auditor
1 Canada Square
Canary Wharf
London
E14 5AG
29 September 2010

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 2010 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 Director of Finance and auditors

The Director of Finance'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 2009 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 2009, 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 2009, the financial position of the Authority as at 31 March 2010 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.



Andrew Sayers
Senior Statutory Auditor
for and on behalf of KPMG LLP
Chartered Accountants
Statutory Auditor
1 Canada Square
Canary Wharf
London
E14 5AG
29 September 2010

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.

Translation of the Statement

if you need assistance in translating this document please contact Language line on:

0800 169 2879

