



# Elmbridge

## Borough Council

... bridging the communities ...

# Narrative for 2015/2016



## **Narrative for 2015/16**

### **Summary of Financial Performance in the year.**

In the financial year to 31 March 2016, the Council delivered its services at a cost within the approved budget of £16,995,920. This is in accordance with the Council's medium term financial strategy, and robust financial management of the Council's services has enabled further savings to be made during the year.

The Council's General Fund balance stands at £4 million as at 31 March 2016. The Council's financial health has continued to strengthen and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term, with risk on the economic recovery and uncertainty around Local Government funding.

The Council has recognised in strategic terms that the local authority needs to reduce its dependency on Government revenue funding when public funds are so highly constrained, through effective use of assets and increased income from investment properties, as the clear message from Central Government is that Councils should fund local services with locally raised revenues.

### **Financial Planning**

The role of the Council's financial planning process is to support the achievement of the Council's Strategic Priorities, Corporate Plan and the Community Strategy. The main driver for the budget and savings options developed is the administration's desire to provide high quality services that are in line with Council priorities and residents needs at the least possible cost to Council Tax payers.

The objectives of the Council's financial strategy are to:

- Prioritise resources to align spending plans with the Council's vision and strategic priorities
- Provide a robust framework to assist the decision making process
- Maintain a balanced budget position, and to set a medium and long term financial plan maintaining and strengthening that position
- Continue to deliver value for money to our residents
- Exercise probity, prudence and strong financial control
- Manage risk, including strengthening reserves & levels of investment income
- Continually review budgets to ensure that resources are targeted on key priorities

## Non-Financial Performance

A summary of the results of a resident panel survey are set out in the table below:

	2013	2014	2015
	%	%	%
<b>Residents agree that the Council provides Value for Money</b>	<b>73</b>	<b>73</b>	<b>75</b>
<b>Satisfaction with Individual Services</b>			
Environmental Services (includes noise nuisance, food hygiene, pest control, licensing and removal of graffiti)	76	85	73
Waste Collection, recycling, refuse and food collection	n/a *	n/a *	89
Street Cleaning	n/a *	n/a *	75
Planning Services	39	44	41
Community Support Services	31	29	32
Leisure and Cultural Services	68	68	63
Housing Services	17	13	18
Local Taxation	75	78	77
<b>Overall Satisfaction with the way Elmbridge runs its services</b>	<b>86</b>	<b>88</b>	<b>88</b>
<b>Top three Priorities identified for the Council for the next five years were:</b>			
Protecting the character of the area from building development	52	57	62
Working with the Police to keep crime and anti-social behaviour low	52	50	46
Minimise council tax	41	33	35

\* - These questions were not part of the survey in 2013 or 2014

In September 2015, the annual Residents' Panel survey was sent to 1,561 panel members. Responses were received from 602 Panel members, giving a response rate of 38% (2014 – 43%, 2013 – 45%). The purpose of the survey is to obtain residents view of the Councils performance and priorities of the residents and taxpayers of the Council.

The top priorities were ascertained by asking what issues were most important for residents, with respondents allowed to tick up to three questions from a selection of thirteen.

Further details of the Residents Panel Survey can be found on the council's website [www.elmbridge.gov.uk](http://www.elmbridge.gov.uk).

## Budget and Actual Expenditure 2015/16

Budget proposals for 2015/16 were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2014 and February 2015.

The Council's approach to setting the budget involved detailed consideration of financial risk, so that this can be factored into budget decisions. Risks arising in the current year have also been considered in the budget-setting process enabling the Council to move forward with increased confidence.

The 2015/16 Budget incorporated savings and reductions of £1.5 million. The main components of the budget for 2015/16, and how they compare with actual income and expenditure to the year are:

Portfolio	2014/15	2015/16			
	Actual £'000	Original Budget £'000	Actual £'000	Variance to Original Budget £'000	%
Community Development	425	434	435	1	-
Corporate Development	2,528	2,451	2,640	189	8
Environment and Economy	5,460	5,837	5,960	123	2
Highways and Transport	(811)	(1,602)	(974)	627	39
Housing	2,100	2,305	1,832	(473)	(21)
Leisure and Culture	4,443	4,500	4,221	(279)	(6)
Licensing Committee	172	162	139	(23)	(14)
Regulatory Affairs	694	747	662	(85)	(11)
Resources	1,673	1,941	(434)	(2,375)	(122)
Social	2,262	2,641	2,186	(455)	(17)
Planning Committee	1,247	1,406	1,169	(237)	(17)
	<b>20,193</b>	<b>20,822</b>	<b>17,835</b>	<b>(2,986)</b>	<b>(14)</b>
Asset Rentals	(2,111)	(2,045)	(2,045)	-	-
Interest on Balances	(630)	(725)	(684)	41	6
Contribution From Interest Equalisation Reserve	(276)	(570)	(425)	145	25
Contribution From Revenue Contingency Reserve	-	(84)	-	84	100
Purchase of Investment Property	-	-	2,300	2,300	-
Transfer from Council Tax Freeze Grant Reserve	(313)	(313)	(313)	-	-
Council Tax Freeze Grant	(132)	(133)	(131)	2	2
To / (from) Earmarked Reserves	3	(253)	161	415	164
Capital Financing	302	297	297	-	-
	<b>17,036</b>	<b>16,996</b>	<b>16,996</b>	<b>-</b>	<b>-</b>

The main variances between the original budget and the actual position for 2015/16 are summarised in the table below:

	£'000
Employee and Running Expenses	(906)
Income - Rents, Fees and Charges	(2,038)
Change in use of Reserves	644
Purchase of Investment Property	2,300

Budgets are monitored on the following basis;

- i. Monthly - Departmental monitoring of all income and expenditure and a summary of pre-determined major budgets (particularly income streams) is reported to Council Management Board (CMB).
- ii. First and second quarters – The Cabinet receive a budget monitoring report by portfolio along with key financial indicators.
- iii. Third Quarter – A revised forecast for the year is produced and reported to CMB and Cabinet.
- iv. Year end – The final accounts are produced.

Where major adverse variances are found, corrective action is taken to rectify the position during the year.

## Accounts for 2015/16

### The Statement of Accounts

The purpose of the Statement of Accounts is to give residents of Elmbridge, electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (The Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain English.

The Council's Statement of Accounts for the year 2015/16 includes:

#### **The Statement of Responsibilities**

This outlines the responsibilities of the Council's and the Strategic Director & Deputy Chief Executive responsibilities for the statement of accounts. It also carries the certification of the Strategic Director & Deputy Chief Executive (S151 Officer).

#### **The Audit Opinion and Certificate**

This is provided by Grant Thornton following the completion of the annual audit by September of the following financial year.

#### **Annual Governance Statement (AGS)**

The AGS is not part of the accounts but shown alongside them. The statement sets out the main components of internal control and the framework within which the Council's internal control is managed and reviewed, including arrangements for internal audit. It also reports on significant weaknesses and areas for improvement identified and the actions taken to rectify or strengthen these areas. The statement is signed by the Chief Executive and the Leader of the Council.

#### **The Statement of Accounting Policies**

This explains the basis for the recognition, measurement and disclosure of figures and events in the accounts and is intended to aid the reader's understanding of the accounts.

### Core Financial Statements

#### **The Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund specific items of expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance Account for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. In order to aid clarity, the Council had an element of the general reserve earmarked for specific uses, these have now been established as earmarked reserves.

The main reason for the decrease in the level of Earmarked Reserves is the use of the Property Acquisition and New Homes Bonus Reserves use to fund an investment property purchase.

## **The Comprehensive Income and Expenditure Account**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **The Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Councils working capital ratio (current assets / current liabilities) at 31 March 2016 is 3.0 (3.6 at 31 March 2015). The working capital provides an indication of the council's ability to pay its debts within one year. The higher the ratio, the more liquid the organisation.

## **The Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

## **Notes to the Core Financial Statements**

These provide supporting and explanatory information on the Core Financial Statements.

## **The Collection Fund Statement**

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

In 2015/16 the Council joined a pooling arrangement with three other Surrey District Councils and Surrey County Council for Business Rates. As a result, the Council stands to gain an additional £1m as its share of the pooling arrangement which would otherwise have been paid to Central Government. Due to the complexities of the way the Business Rates Collection Fund operates this will only be available to spend in 2017/18.

The method for distributing and accounting for non-domestic rates changed from 1 April 2013 with the introduction of the Business Rates Retention Scheme, under which local authorities are permitted to retain a proportion of any revenue growth against a baseline set by Government. For further information, refer to the Collection Fund Income & Expenditure account and notes.

## Material Assets and Liabilities

The Council purchased an investment property for £7.4 million with a yield of approximately 6% in Weybridge. In addition, it has been established that significant works need to be undertaken at one of the Councils Car Parks, the provision has been increased to £1m.

The Council established a Building Control mutual in August 2015. The Council will share in any future profits; however, it has provided a guarantee in relation to the Local Government Pension Scheme for the employees transferring of £0.7 million, this has been disclosed as a contingent liability on the basis that the guarantee only has an impact on the taxpayer if the mutual ceases to trade.

## Pensions

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £46.4 million, which reduces the total reserves of the Council by some 31%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

## Significant Changes in Accounting Policies and Requirements

There have been no significant changes in Accounting Policies and requirements for 2015/16.

## Borrowing and Cash Flow

The Council has £4,540,000 of borrowing outstanding at 31 March 2016 from the Public Works Loan Board (PWLb). £1,500,000 was borrowed to part fund the building of the Xcel Leisure facility and £3,500,000 was borrowed to part fund the purchase of the shops in Cobham in 2012.

The Council has sufficient resources to fund its Capital program but may decide to borrow based on interest rates and regulations. The Council is not allowed to borrow to fund revenue expenditure but has a balanced budget with its expenditure being financed from fees and charges, rental income from property holdings government grants and Council Tax, although the grant from Central Government is expected to cease by 2019/10.

## Capital Expenditure

During the year the following items of major capital works and purchases were undertaken:

2014/15 £'000	2015/16 £'000
- Investment Properties	7,384
- Waterside Drive	1,441
839 Affordable Housing - Purchase of British Legion	-
309 Other Public Building Acquisition and Enhancements	285
413 Private Sector Housing Grants	409
299 Affordable Housing Grants / Loans	435
273 Grant Expenditure - CIL / ECIF / Other	445
417 Other	499
432 IT Development	399
154 Car Park Improvements	3
252 Playground Refurbishments / Tennis Courts	60
<b>3,388 Total</b>	<b>11,360</b>

The total capital receipts received which can only be used to fund capital expenditure was £2,179,000 with £1,656,000 being received as part of the agreement with Elmbridge Housing Trust (Paragon) for the Council's proportion of the sale of former council houses.

The Council set its capital programme in February 2016 with spending plans being funded as follows:

	<b>Total Funds Available at 31 March 2016 £'000</b>	<b>Budgeted Spend 2016/17 £'000</b>
<b>Capital Receipts</b>	11,395	2,148
<b>Capital Grants</b>	9,920	5,971
<b>Revenue Resources</b>	1,662	1,662
<b>Borrowing*</b>	-	10,000
	22,977	19,781

\*Subject to suitable investment/asset development opportunities being identified.

### **Significant Provisions or Contingencies and Material Write-Offs**

There have been no material provisions or write-offs made during the year. Details of provisions can be found in the notes to the Statement of Accounts

### **Current Economic Climate**

The economic crisis that descended on the global economy since the autumn of 2008 produced volatility in income received by the Council from fees and charges. In setting the 2015/16 budget there was still uncertainty about the ongoing impact on income streams such as car park income, council tax collection, building control and planning fees. However, overall the total income received from fees and charges during the year exceeded the budget. The income received from fees and charges is very much dependant on the disposable income of individuals and therefore remains an area of concern which will be closely monitored.

### **The adequacy of balances and reserves to withstand future financial pressures**

The Council maintains a level of General Fund balances to provide a measure of protection against risk. Without the protection provided by reserves, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels and redundancies)

The Revenue Risk Reserve together with the Interest Equalisation Reserve are used to mitigate revenue budget risks and interest rate risks facing the Council during the year such as shortfall in income or increase in expenditure.

The Land Charges Service is required to break even over a rolling three-year period. In order to provide for any future shortfalls in income, in accordance with accountancy practice, the surplus income has been established as a reserve, which can only be used to improve the service.

The Council is determined to address the financial challenges presented by the wider economic difficulties and stringent resource constraints by utilising focused risk management and by embracing all opportunities available to deliver more effective and efficient services for our community.

The forecast over the next three years is that in order to have a balanced budget the Council will need to find savings of approximately £5 million based on the Medium Term Financial Strategy approved by Council in February 2016. The Council manages financial risk by maintaining adequate reserves to help ensure that the medium term policy programme is sustainable, in 2015/16 £0.6 million of reserves were used and the 2016/17 Budget includes the use of £1.2 million of reserves.

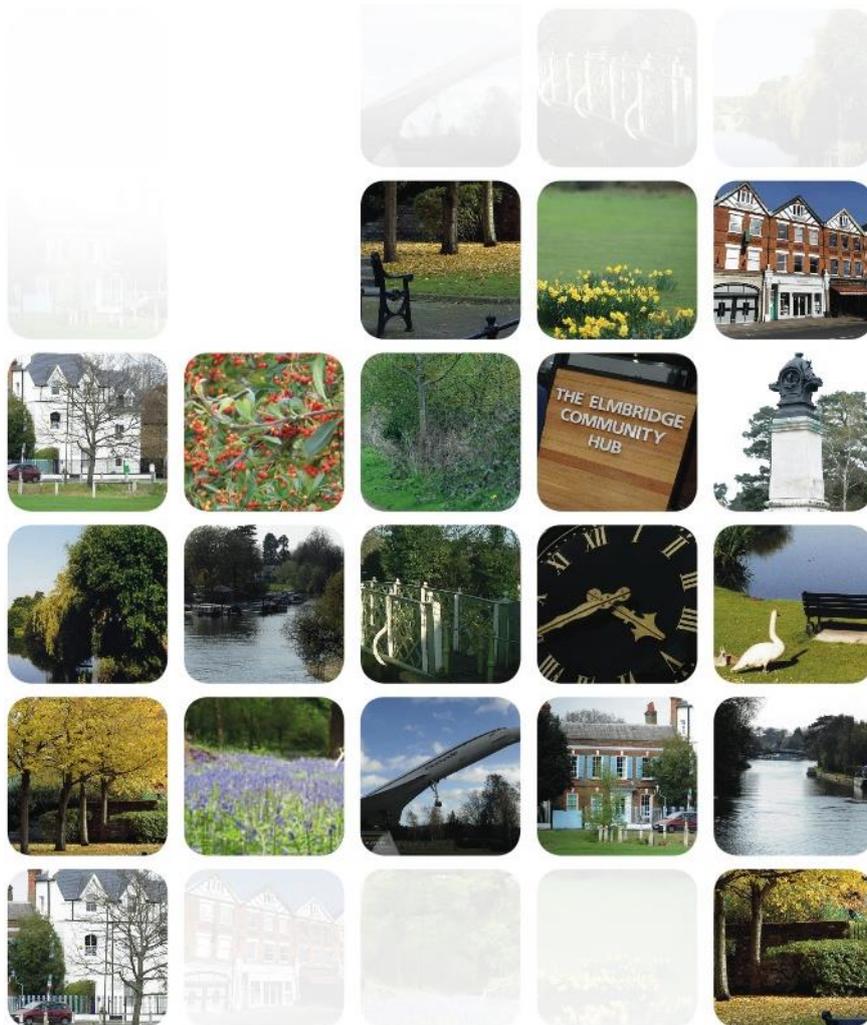
A summary of the Medium Term Financial Strategy is set out below:

	<b>2016/17 Budget £'000</b>	<b>2017/18 Forecast £'000</b>	<b>2018/19 Forecast £'000</b>	<b>2019/20 Forecast £'000</b>
<b>Net Budget Requirement to Provide Services</b>	<b>18,349</b>	<b>17,911</b>	<b>17,041</b>	<b>17,042</b>
<b>Expenditure</b>				
Growth/Spending Pressures	422	250	250	250
Contributions to the Pension Fund	231	240	240	240
Employers NI increase on Pension changes	200			
Inflation on Contracts and Pay	439	500	500	500
Other Changes - Housing Benefit Administration Grant	97	100	100	100
Apprenticeship Levy		35		
Interest on balances	89			
Approved Savings/Fees & Charges - February 2016	(1,916)	(250)	(250)	
<b>Total Budget Requirement</b>	<b>17,911</b>	<b>18,786</b>	<b>17,881</b>	<b>18,132</b>
<b>Available Funding (Council Tax, Government Grants and Reserves)</b>	<b>17,911</b>	<b>17,041</b>	<b>17,042</b>	<b>15,762</b>
<b>Budget Gap</b>	<b>0</b>	<b>1,744</b>	<b>839</b>	<b>2,370</b>



**Elmbridge**  
Borough Council  
*... bridging the communities ...*

# Statement of Accounts Year Ended 31 March 2016



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## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the responsibility of Chief Financial Officer is allocated to the S151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### Approved by Council

The Statement of Accounts was approved at a meeting of the Audit & Standards Committee on 21 September 2016 after the completion of the audit.

**Councillor Coomes**  
**Chair of Audit & Standards Committee**  
**September 2016**

### Responsibilities of S151 Officer as Chief Financial Officer

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the S151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Strategic Director & Deputy Chief Executive (S151 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.

### Certificate of Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2016 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011.

Sarah Selvanathan  
Strategic Director & Deputy Chief Executive (S 151 Officer)  
September 2016 (Audited version).

# Independent Auditor's Report to the Members of Elmbridge Borough Council

We have audited the financial statements of Elmbridge Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Strategic Director and Deputy Chief Executive and auditor

As explained more fully in the Statement of the Strategic Director and Deputy Chief Executive Responsibilities, the Strategic Director and Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

## Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

### **Respective responsibilities of the Authority and auditor**

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

### **Sarah Ironmonger**

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Fleming Way, Manor Royal, Crawley, RH10 9GT

## Movement in Reserves Statement

2014/15	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2014 carried forward</b>	4,000	16,789	9,595	5,642	36,026	23,435	59,461
<b>Movement in reserves during 2014/15</b>							
Surplus/(Deficit) on the provision of services	7,602	-	-	-	7,602	-	7,602
Other Comprehensive Income and Expenditure	-	-	-	-	-	11,914	11,914
<b>Total Comprehensive Income and Expenditure</b>	<b>7,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,602</b>	<b>11,914</b>	<b>19,516</b>
Adjustments between accounting basis and funding basis under regulation (Note 7)	2,416	-	395	(424)	2,387	(2,387)	-
<b>Net Increase (Decrease) before Transfers to Earmarked Reserves</b>	<b>10,018</b>	<b>-</b>	<b>395</b>	<b>(424)</b>	<b>9,989</b>	<b>9,527</b>	<b>19,516</b>
Transfers to/from Earmarked Reserves (Note 8)	(10,018)	10,018	-	-	-	-	-
<b>Increase (Decrease) in 2014/15</b>	<b>-</b>	<b>10,018</b>	<b>395</b>	<b>(424)</b>	<b>9,989</b>	<b>9,527</b>	<b>19,516</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>4,000</b>	<b>26,807</b>	<b>9,990</b>	<b>5,218</b>	<b>46,015</b>	<b>32,962</b>	<b>78,977</b>

2015/16	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015 carried forward</b>	4,000	26,807	9,990	5,218	46,015	32,962	78,977
<b>Movement in reserves during 2015/16</b>							
Surplus/(Deficit) on the provision of services	11,053	-	-	-	11,053	-	11,053
Other Comprehensive Income and Expenditure	-	-	-	-	-	13,642	13,642
<b>Total Comprehensive Income and Expenditure</b>	<b>11,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,053</b>	<b>13,642</b>	<b>24,695</b>
Adjustments between accounting basis and funding basis under regulation (Note 7)	(13,670)	-	1,405	4,702	(7,563)	7,563	-
<b>Net Increase (Decrease) before Transfers to Earmarked Reserves</b>	<b>(2,617)</b>	<b>-</b>	<b>1,405</b>	<b>4,702</b>	<b>3,490</b>	<b>21,205</b>	<b>24,695</b>
Transfers to/from Earmarked Reserves (Note 8)	2,617	(2,617)	-	-	-	-	-
<b>Increase (Decrease) in 2015/16</b>	<b>-</b>	<b>(2,617)</b>	<b>1,405</b>	<b>4,702</b>	<b>3,490</b>	<b>21,205</b>	<b>24,695</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>4,000</b>	<b>24,190</b>	<b>11,395</b>	<b>9,920</b>	<b>49,505</b>	<b>54,167</b>	<b>103,672</b>

The movement in reserves statement shows the position at the 31 March 2016 for the movements between reserves in accordance with the requirements of the Code of Practice. Detailed analysis of the movement in earmarked reserves is found in note 8 to the Statement of Accounts.

## Comprehensive Income and Expenditure Statement

2014/15					2015/16		
Gross Expenditure	Gross Income	Net Expenditure		N o t e	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			<b>Service Expenditure</b>				
5,151	2,158	2,993	Central Services to the Public		3,410	2,028	1,382
5,371	1,010	4,361	Cultural and Related Services		5,036	935	4,101
9,757	3,229	6,528	Environmental and Regulatory Services		10,069	2,965	7,104
4,043	7,565	(3,522)	Planning Services		4,100	6,422	(2,322)
3,278	3,983	(705)	Highways and Transport Services		3,328	4,135	(807)
46,242	43,987	2,255	Other Housing Services		46,796	43,274	3,522
4,013	2,010	2,003	Adult Social Care		4,234	2,021	2,213
1,923	19	1,904	Corporate and Democratic Core		1,873	23	1,850
34	-	34	Non Distributed Costs		20		20
<b>79,812</b>	<b>63,961</b>	<b>15,851</b>	<b>Cost of Services</b>		<b>78,866</b>	<b>61,803</b>	<b>17,063</b>
50	701	(651)	Other Operating Expenditure	9	48	4	44
-	372	(372)	Gains on Sale of Former Council Houses		-	1,845	(1,845)
5,341	6,139	(798)	Financing and Investment Income and Expenditure	10	4,532	5,662	(1,130)
21,304	42,936	(21,632)	Taxation and Non-Specific Grant Income and Expenditure	11	21,058	46,243	(25,185)
<b>106,507</b>	<b>114,109</b>	<b>(7,602)</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>104,504</b>	<b>115,557</b>	<b>(11,053)</b>
		(14,985)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	24.2			(7,116)
		-	Impairment Losses on Non-Current assets charged to the Revaluation Reserve				-
		3,071	Re-measurement of Net Defined Pension Liability	40.2			(6,526)
		<b>(11,914)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(13,642)</b>
		<b>(19,516)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(24,695)</b>

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

On 27 March 2000 the Council transferred its housing stock to the Elmbridge Housing Trust. The agreement between the Council and the Elmbridge Housing Trust required that a proportion of the proceeds derived from the sale of the council houses transferred to the Trust under Right to Buy arrangements would in future years be passed to Elmbridge Borough Council. In 2015/16 £1,656,000 (2014/15 £103,103) after taking account of the cost of sales, was due to be paid to the Council. The income can only be used to finance capital expenditure, or repay debt, and has been transferred to the Capital Receipts Reserve.

## Balance Sheet as at 31 March 2016

2014/15 £'000		Notes	2015/16 £'000
67,102	Property Plant & Equipment	12	72,780
1,292	Heritage Assets	13	1,292
19,780	Investment Properties	14	28,160
1,330	Intangible Assets	15	1,370
14,152	Long Term Investments	16	19,355
904	Long Term Debtors	18	870
104,560	<b>Long Term Assets</b>		<b>123,827</b>
34,093	Short Term Investments	16	22,047
115	Inventories		89
8,527	Short Term Debtors	18	12,339
6,925	Cash and Cash Equivalents	19	15,235
49,660	<b>Current Assets</b>		<b>49,710</b>
(13,740)	Short Term Creditors	21.1	(16,330)
(140)	Short Term Loans	21.2	(140)
(13,880)	<b>Current Liabilities</b>		<b>(16,470)</b>
(51,544)	Other Long Term Liabilities	21.3	(46,383)
(20)	Capital Grants Receipts in Advance	33	-
(5,259)	Provisions	39	(2,612)
(4,540)	Long Term Borrowing	43.2	(4,400)
(61,363)	<b>Long Term Liabilities</b>		<b>(53,395)</b>
78,977	<b>Net Assets</b>		<b>103,672</b>
46,015	Usable Reserves	23	49,505
32,962	Unusable Reserves	24	54,167
78,977	<b>Total Reserves</b>		<b>103,672</b>

These financial statements replace the unaudited financial statements certified by the Strategic Director & Deputy Chief Executive (S151 Officer) on 29 June 2016.

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory or other limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Cash Flow Statement

2014/15 £'000	Notes	2015/16 £'000
(7,602) Net (surplus) or deficit on the provision of services		<b>(11,053)</b>
(9,195) Adjustments to net surplus or deficit on the provision of services for non-cash movements	25.1	<b>125</b>
2,332 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25.2	<b>7,796</b>
(14,465) Net cash flows from operating Activities		<b>(3,132)</b>
11,219 Investing Activities	26	<b>(4,412)</b>
1,195 Financing Activities	27	<b>(766)</b>
(2,051) Net increase or decrease in cash and cash equivalents		<b>(8,310)</b>
(4,874) Cash and cash equivalents at the beginning of the reporting period		<b>(6,925)</b>
(6,925) <b>Cash and cash equivalents at the end of the reporting period</b>	19	<b>(15,235)</b>

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

The increase in the cash and cash equivalents is mainly as a result of the increase in the temporary (less than one month) investments of £6.7m.

## Notes to the Core Financial Statements

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

#### 1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a specified period, no more than one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### 1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

## **1.5 Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Council cannot raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between them.

## **1.6 Employee Benefits**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

### **Post-Employment Benefits**

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

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve is constructed based upon a corporate bond yield curve (based on the constituents of the iBoxx AA corporate bond index). This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;**
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Re-measurements comprising:

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises

on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **Discretionary Benefits**

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

### **1.7 Events after the Reporting Period**

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

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

Events taking place after the date of the auditor's opinion are not reflected in the Statement of Accounts.

### **1.8 Financial Instruments**

#### **Financial Liabilities**

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

For the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are classified into two types:

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

## **Loans and Receivables**

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

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has no soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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

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

## **1.9 Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **1.10 Heritage Assets & Memorials**

### **Heritage Assets**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. The Authority's heritage assets are accounted for in accordance with the nature of the asset and the relevant accounting policy.

## Memorials

The Council is responsible for a number of memorials in the Borough. These memorials, while having significant value to the community, have no resale value and are not used for any operational purpose. The memorials are reflected in the balance sheet at replacement cost and are not depreciated on the basis they have indeterminate lives and are fully maintained.

### 1.11 Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of the website is capitalised because the website is not solely or primarily intended to promote or advertise the Council's goods or services, as it also includes facilities for web based payments.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 1.12 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and has no requirement to prepare group accounts. However In August 2015 the Council established a mutual for the Building Control Service in which it owns 20% of the share equity with the balance being owned by the employees.

### 1.13 Inventories and Long Term Contracts

Inventories are valued at the latest price paid, with an appropriate allowance made for obsolescent and slow-moving items. This is a departure from the requirements of The Code of Practice on Local Authority Accounting, which require stocks to be shown at the lower of cost or net realisable value, if lower. The effect of the difference in treatment is not material.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## 1.14 Investment Property

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

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

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

## 1.15 Leases

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

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

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

### The Council as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **The Council as Lessor**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

## **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **1.16 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multifunctional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

## 1.17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. For accounting purposes the Council has a de-minimis level of £10,000.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued according to the following revaluation programme. This is considered to be sufficiently regularly to ensure that the carrying amounts are not materially different from the fair values at the year-end,

- Annually – Civic Centre / Xcel Leisure Centre
- Every 3 years – Car Parks / Walton Town Centre / Cemetery Houses.
- Every 5 Years – All other asset groups

Assets being valued every 3 and 5 years have been phased to ensure that at least 45% of the total asset value is planned to be revalued every year and around 70% being valued every three years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

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

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

## **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

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

## **Depreciation**

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

Depreciation is calculated on the following bases:

- other buildings, plant, furniture and equipment – straight-line allocation over the useful life of the property as estimated by the valuer, or the estimated useful life of the other assets

- vehicles – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – no depreciation.

Where an asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life.

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

## **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. It is then carried at the lower of this amount and fair value less costs to sell.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

## **1.18 Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## 1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes to the accounts.

From 1 April 2013 the Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

**CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for reserves set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure. Once a decision has been made on how the funds will be allocated the revenue reserve to transferred to the appropriate part of the balance sheet (Capital Grants, Short Term Creditors or Earmarked Reserves).**

## 1.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## 1.21 Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 2. Exceptional Item

There are no exceptional items for 2015/16.

## 3. Accounting Standards that have been issued but have not yet been adopted

For 2016/17 the accounting policy changes which may apply and that should be reported are:

- IAS 19: Employee Benefits (Defined Benefit Plans: Employee Contributions);
- IFRSs: annual improvements to 2010 – 2012 cycle;
- IFRS 11: Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations);
- IAS 16: Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation and Amortisation);
- IAS 38: Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation);
- IFRSs: annual improvements to 2012 – 2014 cycle;
- IAS 1: Presentation of Financial Statements (Disclosure Initiative);

Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis; and Changes to the format of the Pension Fund Account and the Net Assets Statement.

These changes may be implemented in the 2015/16 Code of Practice, but it is not anticipated that they would have a material impact on the Council's financial statements or the Council Tax Payer.

#### 4. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to lose facilities and reduce levels of service provision.

#### 5. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £61,000 for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £12million. However, the assumptions interact in complex ways. A 1 year increase in member life expectancy would increase the liability by £4million. Similarly, a 0.5% increase in the salary rate or in the pension increase rate would increase the liability by £3million and £9million respectively.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>NNDR appeals liability</b>	From April 2013, the Council was responsible for refunding successful appeals against past NNDR liabilities. An estimate of the possible effect on this Council has been taken into account in these accounts and future funding assumptions. This estimate has been made using the Councils historic experience of the decrease in the business rates payable as a result of appeals of approximately 2%.	If the level of successful appeals exceeds the assumptions already made, the cost will be charged to the most appropriate accounting period.

## 6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 22 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/15	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):</b>				
Charges for depreciation and impairment of non-current assets	(2,693)			2,693
Revaluation losses on Property Plant and Equipment	(52)			52
Movements in the market value of Investment Properties	1,287			(1,287)
Amortisation of intangible assets	(266)			266
Revenue expenditure funded from capital under Statute	(993)			993
Amounts of non-current assets written off on disposal or Sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(40)			40
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):</b>				
Statutory provision for the financing of capital investment	570			(570)
Capital expenditure charged against the General Fund	575			(575)
<b>Adjustments primarily involving the Capital Grants Unapplied Account (note 24.3):</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,085		(1,085)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	1,084		1,509	(2,593)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,162	(1,162)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		881		(881)
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposals	(3)	3		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(117)		117
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (note 24.6):</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	290			(290)
<b>Adjustments primarily involving the Pensions Reserve (note 24.5):</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,365)			4,365
Employer's pensions contributions and direct payments to pensioners payable in the year	2,744			(2,744)
<b>Adjustments primarily involving the Collection Fund Adjustment Account (note 24.7):</b>				
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from collection fund income calculated for the year in accordance with statutory requirements	(2,812)			2,812
<b>Adjustment primarily involving the Accumulated Absences Account (note 24.8):</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11			(11)
<b>Total Adjustments</b>	<b>(2,416)</b>	<b>(395)</b>	<b>424</b>	<b>2,387</b>

2015/16	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):</b>				
Charges for depreciation and impairment of non-current assets	(2,838)			2,838
Revaluation losses on Property Plant and Equipment	(963)			963
Movements in the market value of Investment Properties	979			(979)
Amortisation of intangible assets	(230)			230
Revenue expenditure funded from capital under Statute	(1,325)			1,325
Amounts of non-current assets written off on disposal or Sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)			1
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (note 24.3):</b>				
Statutory provision for the financing of capital investment	570			(570)
Capital expenditure charged against the General Fund	7,724			(7,724)
<b>Adjustments primarily involving the Capital Grants Unapplied Account (note 24.3):</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,289		(5,289)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	602		587	(1,189)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,905	(1,905)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		774		(774)
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.				0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(274)		274
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (note 24.6):</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	242			(242)
<b>Adjustments primarily involving the Pensions Reserve (note 24.5):</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(4,479)			4,479
Employer's pensions contributions and direct payments to pensioners payable in the year	3,042			(3,042)
<b>Adjustments primarily involving the Collection Fund Adjustment Account (note 24.7):</b>				
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from collection fund income calculated for the year in accordance with statutory requirements	2,978			(2,978)
<b>Adjustment primarily involving the Accumulated Absences Account (note 24.8):</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	175			(175)
<b>Total Adjustments</b>	<b>13,670</b>	<b>(1,405)</b>	<b>(4,702)</b>	<b>(7,563)</b>

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2015/16.

	Note	Balance at 31 March 2014	Transfers In	Transfers Out	Balance at 31 March 2015	Transfers In	Transfers Out	Balance at 31 March 2016
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Contingency & Rent Risk Reserve	a	1,575	0	0	1,575	0	0	1,575
Strategic Reserve (LABGI)	b	1,101	0	0	1,101	0	0	1,101
Corporate Restructure - Initiatives	c	698	0	0	698	0	0	698
Repairs and Maintenance	d	724	0	0	724	0	(549)	175
Capital Expenditure	e	573	80	0	653	78	(74)	657
Performance Reward (LPSA)	f	321	0	0	321	0	0	321
Council Tax Freeze Grant Reserve	g	2,397	0	(313)	2,084	0	(313)	1,771
Interest Equalisation	h	2,013	0	(276)	1,737	0	(425)	1,312
Approved Carry Forward Requests	i	1,103	911	(1,103)	911	492	(911)	492
Car parking Maintenance	j	0	0	0	0	150	0	150
New Homes Bonus Reserve	k	966	1,258	(247)	1,977	1,286	(2,240)	1,023
Elmbridge Civic Improvement Fund	l	571	0	(102)	469	0	(146)	323
Community Safety	m	513	0	(12)	501	10	(18)	493
Miscellaneous	n	683	162	(113)	732	37	(62)	707
Housing Reforms	o	291	159	0	450	0	0	450
Planning Delivery Grant	p	374	0	0	374	0	(131)	243
Property Acquisition Reserve	q	0	1,012	(198)	814	1,171	(1,985)	0
Business Rate Retention Scheme	r	56	3,285	0	3,341	856	(883)	3,314
Planning Related Receipts (S106, SANGS and Tariffs)	s	2,133	50	0	2,183	170	(2)	2,351
Property & Land Related Income	t	462	33	(29)	466	0	(47)	419
Insurance	u	235	101	(104)	232	0	0	232
		16,789	7,051	(2,497)	21,343	4,250	(7,786)	17,807
Community Infrastructure Levy	v	0	5,838	(374)	5,464	4,701	(3,782)	6,383
<b>Total Earmarked Revenue Reserves</b>		<b>16,789</b>	<b>12,889</b>	<b>(2,871)</b>	<b>26,807</b>	<b>8,951</b>	<b>(11,568)</b>	<b>24,190</b>

## Notes to Earmarked Reserves

Note	
a	To meet current and future contingency requirement and the revenue budget risks facing the authority. It will provide cover for rental income if it falls below the level assumed in the MTFS.
b	Fund historically received for growth in Business Rates used to reinvest in business related improvements such as ECIF grants. No longer received
c	To meet staffing costs arising from Council reorganisations or restructures.
d	A reserve established to deal with emergency repairs and maintenance and dilapidation costs to council owned properties.
e	Revenue sums held to finance capital expenditure.
f	Local Public Service Agreement funds used to fund projects of a one off nature.
g	Established to mitigate the effect of the time limited funding from central government for freezing the council tax.
h	Set aside to protect the authority's annual budget in the event of in-year or between-year fluctuations in investment returns.
i	To finance items included of a one of nature where budget provision has been made, but the expenditure will be incurred in the following financial year.
j	To fund the maintenance of the Council's Car Parks, established from car parking fees and charges.
k	A reserve established from New Homes Bonus funding , received to provide incentives and rewards for Councils and Communities to build homes in their area. The Council is utilising this funding towards its capital programme.
l	Elmbridge Civic Improvement Fund (ECIF), money allocated to fund the improvement, enhancement and regeneration of the borough.
m	Funds provided by the Home Office and held in respect of Crime and Disorder initiatives.
n	Miscellaneous funds, principally held in respect of bequests and donations to support the ongoing provision and maintenance of Centres for the Retired and the ongoing maintenance of graves.
o	Established to protect the Council's revenue accounts during the period of transition to Universal Credit and changes resulting from Welfare Reform. Including reductions in DWP funding and Discretionary Housing Payments.
p	From a planning delivery grant to assist with the delivery of the Planning function. Fully committed.
q	To use in the purchase of Investment Property Assets to provide increased revenue rental streams. Funding for the year was transferred from the New Homes Bonus Reserve.
r	Net surplus arising from the Business Rates Retention scheme retained by the Council to offset any future Business deficits attributable to the Council. £1.7m will be utilised to fund the 2014/15 deficit in 2016/17
s	Receipts held as a result of the approval of planning consent, the funding must be used in accordance with the planning agreement.
t	Established for Land Charges surplus income, which may be used to fund deficits arising for those services in future years in accordance with legislative requirements.
u	Held in respect of future payments required for self insurance / premium excess payments.
v	Community Infrastructure Receipts held to meet future infrastructure requirements as outlined in the Community Infrastructure Levy Regulations 2010 and subsequent amendments. Held as an Earmarked Reserve until it is allocated by a CIL board.

## 9. Other Operating Expenditure

2014/15	2015/16
£'000	£'000
(701) Gains/losses on the disposal of non-current assets	(4)
50 Other	48
<b>(651) Total</b>	<b>44</b>

## 10. Financing and Investment Income and Expenditure

2014/15	2015/16
£'000	£'000
199 Interest payable and similar charges	194
1,911 Net interest on the net defined benefit liability	1,593
(630) Interest receivable and similar income	(691)
(2,278) Income and expenditure in relation to investment properties and changes in their fair value	(2,226)
<b>(798) Total</b>	<b>(1,130)</b>

## 11. Taxation and Non Specific Grant Income and Expenditure

2014/15 Net Expenditure £'000	2015/16		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	(12,737) Council tax income	-	(12,845)
(1,243) Non domestic rates	21,058	(25,574)	(4,516)
(5,483) Non-ringfenced government grants	-	(5,523)	(5,523)
(2,169) Capital grants and contributions	-	(2,301)	(2,301)
<b>(21,632) Total</b>	<b>21,058</b>	<b>(46,243)</b>	<b>(25,185)</b>

It is now a requirement to account for the Council's proportion of income and expenditure due to the introduction of the Business Rate Retention Scheme. In 2014/15 the Council was due a payment from central government because its income fell below the minimum set by central government. In 2015/16 the Council joined a pooling arrangement and shared equally in any growth, as a result the Council will gain £1million. The complexities of the Business Rates system mean that this will only be available to use in 2017/18. See the Collection Fund Income and Expenditure Account for more information.

## 12. Property, Plant and Equipment

The table analyses the movements on property, plant and equipment by asset class.

Movements in 2014/15	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>							
At 1 April 2014	48,210	12,459	437	410	456	28	62,000
Additions	1,192	813	-	-	-	37	2,042
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,547	-	-	-	413	-	12,960
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(52)	-	-	-	-	-	(52)
Derecognition - disposals	-	(92)	-	-	(46)	-	(138)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	829	(164)	-	-	-	(5)	660
<b>At 31 March 2015</b>	<b>62,726</b>	<b>13,016</b>	<b>437</b>	<b>410</b>	<b>823</b>	<b>60</b>	<b>77,472</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2014	(2,535)	(6,775)	(437)	(33)	(13)	-	(9,793)
Depreciation charge	(1,321)	(1,330)	-	(6)	(36)	-	(2,693)
Depreciation written out to the Revaluation Reserve	2,018	-	-	-	-	-	2,018
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	90	-	-	8	-	98
Other movements in depreciation and impairment	(169)	169	-	-	-	-	-
<b>At 31 March 2015</b>	<b>(2,007)</b>	<b>(7,846)</b>	<b>(437)</b>	<b>(39)</b>	<b>(41)</b>	<b>-</b>	<b>(10,370)</b>
<b>Net Book Value</b>							
<b>At 31 March 2015</b>	<b>60,719</b>	<b>5,170</b>	<b>-</b>	<b>371</b>	<b>782</b>	<b>60</b>	<b>67,102</b>
<b>At 31 March 2014</b>	<b>45,675</b>	<b>5,684</b>	<b>-</b>	<b>377</b>	<b>443</b>	<b>28</b>	<b>52,207</b>

<b>Movements in 2015/16</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
At 1 April 2015	62,726	13,016	437	410	823	60	77,472
Additions	388	479	-	-	-	1,514	2,381
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	6,198	-	-	-	-	-	6,198
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(963)	-	-	-	-	-	(963)
Derecognition - disposals	-	(819)	-	-	-	-	(819)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	16	-	-	-	-	(33)	(17)
<b>At 31 March 2016</b>	<b>68,365</b>	<b>12,676</b>	<b>437</b>	<b>410</b>	<b>823</b>	<b>1,541</b>	<b>84,252</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2015	(2,007)	(7,846)	(437)	(39)	(41)	-	(10,370)
Depreciation charge	(1,567)	(1,231)	-	(5)	(35)	-	(2,838)
Depreciation written out to the Revaluation Reserve	918	-	-	-	-	-	918
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	818	-	-	-	-	818
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>(2,656)</b>	<b>(8,259)</b>	<b>(437)</b>	<b>(44)</b>	<b>(76)</b>	<b>-</b>	<b>(11,472)</b>
<b>Net Book Value</b>							
<b>At 31 March 2016</b>	<b>65,709</b>	<b>4,417</b>	<b>-</b>	<b>366</b>	<b>747</b>	<b>1,541</b>	<b>72,780</b>
<b>At 31 March 2015</b>	<b>60,719</b>	<b>5,170</b>	<b>-</b>	<b>371</b>	<b>782</b>	<b>60</b>	<b>67,102</b>

## Depreciation

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

- Land and Buildings – 5 to 64 years
- Vehicles – 33% or 55% of carrying amount
- Plant, Furniture and Equipment – 3 to 50 years

In 2015/16 the Council changed the remaining useful lives assigned to the following properties:

- Civic Centre decreased from 37 to 36 years (increased annual depreciation by £8,927)
- Xcel Leisure Centre structure decreased from 52 to 51 years (increased annual depreciation by £2,380)
- Community Centres:
  - Claygate decreased from 40 to 26 years (increased annual depreciation by £15,531)
  - Cobham decreased from 40 to 26 years (increased annual depreciation by £10,187)
  - Hersham decreased from 40 to 31 years (increased annual depreciation by £5,795)
  - Molesey decreased from 40 to 21 years (increased annual depreciation by £6,260)
  - Walton decreased from 44 to 28 years (increased annual depreciation by £13,104)
  - Weybridge decreased from 40 to 20 years (increased annual depreciation by £11,807)
  - Weybridge Children's Centre decreased from 50 to 35 years (increased annual depreciation by £599)
  - Thames Ditton Intergenerational Centre increased from 30 to 45 years (decreased annual depreciation by £6,657)

These changes have had the overall financial effect of increasing the total annual depreciation for buildings from £1,499,233 to £1,567,166 however by regulation depreciation has no effect on taxation.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by G Howes MRICS RICS Registered Valuer for and on behalf of Montagu Evans LLP except for the Weybridge Children's Centre and the Thames Ditton Intergenerational Centre, which were undertaken internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

The following table breaks down the property, plant and equipment portfolio valuation over the years in which the valuations were made.

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	621	12,676	437	410	-	1,541	15,685
Valued at fair value as at:							
31 March 2016	37,114	-	-	-	-	-	37,114
31 March 2015	23,451	-	-	-	413	-	23,864
31 March 2014	4,082	-	-	-	410	-	4,492
31 March 2013	1,410	-	-	-	-	-	1,410
31 March 2012	1,687	-	-	-	-	-	1,687
<b>Total Cost or Valuation</b>	<b>68,365</b>	<b>12,676</b>	<b>437</b>	<b>410</b>	<b>823</b>	<b>1,541</b>	<b>84,252</b>

### 13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets held by the Authority.

Cost / Valuation	Museum Artefacts & Civic Regalia £'000	War Memorials £'000	Heritage Marker £'000	Xcel Art £'000	Total £'000
<b>At 1 April 2014</b>	<b>520</b>	<b>677</b>	<b>64</b>	<b>24</b>	<b>1,285</b>
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	7	-	-	7
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>At 31 March 2015</b>	<b>520</b>	<b>684</b>	<b>64</b>	<b>24</b>	<b>1,292</b>
Cost / Valuation					
<b>At 1 April 2015</b>	<b>520</b>	<b>684</b>	<b>64</b>	<b>24</b>	<b>1,292</b>
Revaluations	-	-	-	-	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>At 31 March 2016</b>	<b>520</b>	<b>684</b>	<b>64</b>	<b>24</b>	<b>1,292</b>

### 14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement: The increase in income being due to rentals from properties purchased during 2015/16, rental reviews and new leases on existing properties and dilapidation monies. The increase in expenditure is due to increased costs of empty properties primarily at Mole Business park and dilapidation repairs partially offset by a reduction in costs relating to lease renewals and tenancy charges.

	2014/15 £'000	2015/16 £'000
Rental income from investment property	1,121	1,369
Direct operating expenses arising from investment property	(130)	(122)
<b>Net gain/(loss)</b>	<b>991</b>	<b>1,247</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All the Councils investment properties fair value measurements are based on other

significant observable inputs. The Office Units and Commercial properties are measured using the investment method of valuation, assessing the passing rent and Market Rent by comparison to other transactions, and capitalising the income stream at an appropriate yield to reflect the key investment characteristics of the property.

The following table summarises the movement in the fair value of investment properties over the year.

	2014/15 £'000	2015/16 £'000
<b>Balance at start of the year</b>	<b>18,493</b>	<b>19,780</b>
Additions:		
Purchases	-	7,384
Net gains (losses) from fair value adjustments	1,287	979
Transfers:		
To/from Property, Plant and Equipment	-	17
<b>Balance at end of the year</b>	<b>19,780</b>	<b>28,160</b>

The Investment property consists of £15.4 million of Offices, £8.2 million of Retail/Industrial sites (Commercial) and other sites of £4.6 million.

## 15. Intangible Assets

The Council accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 10 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £230,151 charged to revenue in 2015/16 was charged to the Information Systems Team and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement on Intangible Asset balances during the year is as follows:

	2014/15 £'000	2015/16 £'000
<b>Balance at start of year:</b>		
Gross carrying amounts	3,709	4,062
Accumulated amortisation	(2,466)	(2,732)
<b>Net carrying amount at start of year</b>	<b>1,243</b>	<b>1,330</b>
<b>Additions:</b>		
Purchases	353	270
Other disposals	-	(733)
Amortisation for the period	(266)	(230)
Other charges	-	733
<b>Net carrying amount at end of year</b>	<b>1,330</b>	<b>1,370</b>
Comprising:		
Gross carrying amounts	4,062	3,599
Accumulated amortisation	(2,732)	(2,229)
	<b>1,330</b>	<b>1,370</b>

## 16. Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
<b>Investments</b>				
Loans and receivables*	14,152	19,355	34,093	22,047
<b>Total investments</b>	<b>14,152</b>	<b>19,355</b>	<b>34,093</b>	<b>22,047</b>
<b>Debtors</b>				
Loans and receivables	904	870	-	-
Financial assets carried at contract amounts	-	-	13,536	25,299
<b>Total debtors</b>	<b>904</b>	<b>870</b>	<b>13,536</b>	<b>25,299</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	4,540	4,400	140	140
<b>Total borrowings</b>	<b>4,540</b>	<b>4,400</b>	<b>140</b>	<b>140</b>
<b>Other Long Term Liabilities</b>				
Finance lease liabilities	72	-		
<b>Total other long term liabilities</b>	<b>72</b>	<b>-</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	20	-		
Financial liabilities at carried contract amounts	-	-	8,991	10,037
<b>Total creditors</b>	<b>20</b>	<b>-</b>	<b>8,991</b>	<b>10,037</b>

\* Figures in Loans and Receivables include interest accrued but not yet received

### Income, Expense, Gains and Losses

	2014/15			2015/16		
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000
Interest expense	199	-	199	194		194
Impairment losses	-	768	768		34	34
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>199</b>	<b>768</b>	<b>967</b>	<b>194</b>	<b>34</b>	<b>228</b>
Interest income	-	(630)	(630)	-	(691)	(691)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(630)</b>	<b>(630)</b>	<b>-</b>	<b>(691)</b>	<b>(691)</b>
<b>Net (gain)/loss for the year</b>	<b>199</b>	<b>138</b>	<b>337</b>	<b>194</b>	<b>(657)</b>	<b>(463)</b>

## Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest at 31 March 2016 of 1.44% to 1.74% applies to loans from PWLB, and 1.26% to 2.16% for loans receivable (investments) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	2014/15		2015/16	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities	8,991	8,991	10,037	10,037
Long-term creditors	4,632	5,483	4,400	5,342

The fair value of long-term creditors is higher than the carrying amount because the rate payable on the Council's PWLB loans is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

	2014/15		2015/16	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Loans and receivables	47,629	47,629	47,346	47,346
Long term debtors	15,056	15,422	20,225	20,359

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost, as this is a fair approximation of their value.

## 17. Construction Contracts

At 31 March 2016 the Authority had a construction contract in progress: the construction of a new Sports Hub at Waterside Drive, Walton-on-Thames. The contract has a total estimated value of £18.3m and was approved by Council on 22 July 2015. The value of works completed at 31 March 2016 is £1.2m.

## 18. Debtors (Short and Long Term Debtors)

2014/15 £'000		2015/16 £'000
	<b>Long Term Debtors</b>	
2	House Purchases	-
902	Mortgages (Catalyst Housing)	870
<b>904</b>		<b>870</b>
	<b>Debtors</b>	
446	Payments in Advance	541
1,771	Central Government Bodies	1,262
1,539	Other Local Authorities	2,488
6,601	Sundry Debtors	9,850
<b>10,357</b>		<b>14,141</b>

The increase in Debtors is mainly due to increases in RTB receipts; EBC pooling arrangements and Housing Benefit Overpayments.

2014/15 £'000		2015/16 £'000
	<b>Impairments</b>	
(1,830)	Sundry Debtors	(1,802)

2014/15 £'000		2015/16 £'000
	<b>Debtors after Impairments</b>	
446	Payments in Advance	541
1,771	Central Government Bodies	1,262
1,539	Other Local Authorities	2,488
4,771	Sundry Debtors	8,048
<b>8,527</b>		<b>12,339</b>

## 19. Cash and Cash Equivalents

The cash and cash equivalents is made up of the following amounts:

2014/15 £'000		2015/16 £'000
1	Cash held by the Authority	1
324	Bank current accounts	1,932
6,600	Short-term deposits with banks and building societies	13,302
<b>6,925</b>	<b>Total Cash and Cash Equivalents</b>	<b>15,235</b>

Short term deposits with banks and building societies have less than one month to maturity.

## 20. Assets held for sale

There were no assets held for sale at the 31 March 2016 or 31 March 2015.

## 21 Creditors

### 21.1 Short Term Creditors

2014/15		2015/16
£'000		£'000
1,597	Central Government Departments	2,758
6,542	Other Local Authorities	8,340
4,763	Other entities and individuals	3,989
838	Receipts in advance	1,243
<b>13,740</b>		<b>16,330</b>

The reasons for the increase in short term creditors relates to various sundry creditors at 31 March 2016.

### 21.2 Short Term Loans

In 2012/13 the Council borrowed £3,500,000 from the PWLB over 25 years. The repayment terms requires the repayment by equal instalments of principal. The short term loan of £140,000 in 2015/16 is the element of the principal repayment required in 2016/17.

### 21.3 Other Long Term Liabilities

2014/15		2015/16
£'000		£'000
72	Finance lease liability	-
51,472	Liability relating to defined benefit pension scheme	46,383
<b>51,544</b>		<b>46,383</b>

## 22. Impairments

The Council has provided for a provision for the non-payment of debt owed to the council, also referred to as Impairments, see note 18 for an analysis, by the debtor type and the net amount owed after impairment.

## 23. Usable Reserves

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to Council Tax payers. Such funds are not held for any specific purpose, but are available to assist with the management of financial risks and to deal with any emergencies that might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 8.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment.
- Capital Grants Unapplied (Note 33) – holds the balance of grants received where the conditions of grant entitlement have not yet been met. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have

been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the Comprehensive Income & Expenditure Statement as entitlement allows.

The position at 31 March for each category of Usable Reserve is as follows:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
General Fund	4,000	4,000
Earmarked Reserves (Including CIL)	26,807	24,190
Capital Receipts Reserve	9,990	11,395
Capital Grants Unapplied	5,218	9,920
<b>Total Usable Reserves</b>	<b>46,015</b>	<b>49,505</b>

## **24. Unusable Reserves**

### **24.1 Analysis of Unusable Reserves**

	<b>2014/15</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation reserve	24,135	30,495
Capital adjustment account	61,652	68,287
Pensions reserve	(51,472)	(46,383)
Deferred capital receipts reserve	902	870
Collection Fund adjustment account	(2,080)	898
Accumulated absences account	(175)	-
<b>Total Unusable Reserves</b>	<b>32,962</b>	<b>54,167</b>

### **24.2 Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
<b>9,667</b> Balance at 1 April	<b>24,135</b>
15,934 Upward revaluation of assets	7,240
(949) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(124)
<b>14,985</b> Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>7,116</b>
(504) Difference between fair value depreciation and historical cost depreciation	(756)
(13) Accumulated gains on assets sold or scrapped	-
<b>(517)</b> Amount written off to the Capital Adjustment Account	<b>(756)</b>
<b>24,135</b> Balance at 31 March	<b>30,495</b>

### 24.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2014/15</b>	<b>2015/16</b>
<b>£'000</b>	<b>£'000</b>
<b>59,273</b> Balance at 1 April	<b>61,652</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(2,693) Charges for depreciation and impairment of non current assets	(2,838)
(52) Revaluation losses on Property, Plant and Equipment	(963)
(266) Amortisation of intangible assets	(230)
(993) Revenue expenditure funded from capital under statute	(1,325)
(40) Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)
<b>55,229</b>	<b>56,295</b>
517 Adjusting amounts written out of the Revaluation Reserve	756
<b>55,746</b> Net written out amount of the cost of non-current assets consumed in the year	<b>57,051</b>
<b>Capital financing applied in the year:</b>	
881 Use of the Capital Receipts Reserve to finance new capital expenditure	774
1,084 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	602
1,509 Application of grants to capital financing from the Capital Grants Unapplied Account	587
570 Statutory provision for the financing of capital investment charged against the General Fund	570
575 Capital expenditure charged against the General Fund Balance	7,724
<b>4,619</b>	<b>10,257</b>
1,287 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	979
- Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>61,652</b> Balance at 31 March	<b>68,287</b>

## 24.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15	2015/16
£'000	£'000
<b>(46,780) Balance at 1 April</b>	<b>(51,472)</b>
(3,071) Remeasurement of the net defined benefit liability	6,526
(4,365) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,479)
2,744 Employer's pensions contributions and direct payments to pensioners payable in the year	3,042
<b>(51,472) Balance at 31 March</b>	<b>(46,383)</b>

## 24.5 Deferred Capital Receipts Reserve

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

2014/15	2015/16
£'000	£'000
<b>729 Balance at 1 April</b>	<b>902</b>
290 Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	242
(117) Transfer to the Capital Receipts Reserve upon receipt of cash	(274)
<b>902 Balance at 31 March</b>	<b>870</b>

During 2015/16 the Council provided Catalyst Housing Limited with £168,000 (£130,000 in 2014/15) to give mortgages to people to purchase property from the private sector. These funds are secured by a charge against the property and will be repaid to the council when the loan is redeemed with Catalyst Housing Limited. During 2015/16 6 loans were repaid with an average increase in value of 10.0% and 26.5% for loans issued in 2012/13 and 2013/14 respectively. This percentage increase has been applied to additional outstanding loans issued in the corresponding years, with 10.0% also applied to 2014/15 loans, resulting in an increased value of £74,000 which has been credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement.

## 24.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014/15	2015/16
£'000	£'000
<b>732 Balance at 1 April</b>	<b>(2,080)</b>
(2,812) Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements*	2,978
<b>(2,080) Balance at 31 March</b>	<b>898</b>

## 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £'000	2015/16 £'000
(549) Interest received	(509)
199 Interest paid	194
<b>(350) Net cash flows from operating activities</b>	<b>(315)</b>

### 25.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2014/15 £'000	2015/16 £'000
(2,693) Depreciation	(2,838)
(52) Impairment and downward revaluations	(963)
(40) Disposals	(22)
(266) Amortisation	(230)
(570) Impairment - provision for bad debts	28
(1,329) Creditors	(1,887)
420 Debtors	5,177
(12) Inventories	(26)
(1,621) Pensions liability	(1,437)
659 Carrying amount of non-current assets sold	5
(3,691) Other non-cash items charged	2,318
<b>(9,195) Adjustments for non-cash movements</b>	<b>125</b>

### 25.2 Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2014/15 £'000	2015/16 £'000
- Proceeds from sale of property, plant & equipment, investment properties & intangibles	-
103 Proceeds from sale of former council houses	1,844
60 Proceeds from non-sale transactions	61
2,169 Capital grants receivable	5,891
<b>2,332 Adjustments for items which are investing and financing activities</b>	<b>7,796</b>

## 26. Cash Flow Statement – Investing Activities

2014/15		2015/16
£'000		£'000
2,052	Purchase of property, plant and equipment, investment property and intangible assets	10,310
9,173	Purchase of short-term and long-term investments	-
1,166	Other payments for investing activities	1,293
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
-	Proceeds from short-term and long-term investments	(6,686)
(1,172)	Other receipts from investing activities	(9,329)
<b>11,219</b>	<b>Net cash flows from investing activities</b>	<b>(4,412)</b>

## 27. Cash Flow Statement – Financing Activities

2014/15		2015/16
£'000		£'000
-	Cash receipts of short- and long-term borrowing	-
-	Other receipts from financing activities	-
431	Cash payments for the reduction of the outstanding liabilities relating to finance leases	72
140	Repayments of short- and long-term borrowing	140
624	Other receipts for financing activities	(978)
<b>1,195</b>	<b>Net cash flows from financing activities</b>	<b>(766)</b>

## 28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation (budget monitoring) are taken by the Council's Cabinet on the basis of budget reports analysed by portfolio holder responsibility. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- They exclude the Adjustments between Accounting Basis and Funding Basis (Movement in Reserves Statement)
- They include the transfer to Earmarked Reserves (Movement in Reserves Statement)

2014/15 Portfolio	Original	Actual	Variance to Original	
	Budget £'000	£'000	Budget £'000	%
Community Development	428	425	(3)	(1)
Corporate Development	2,415	2,528	113	5
Environment and Economy	5,686	5,460	(226)	(4)
Highways and Transport	(1,222)	(811)	411	34
Housing	2,209	2,100	(109)	(5)
Leisure and Culture	4,775	4,443	(332)	(7)
Licensing Committee	223	172	(51)	(23)
Regulatory Affairs	686	694	8	1
Resources	1,864	1,673	(191)	(10)
Social	2,504	2,262	(242)	(10)
Planning Committee	1,379	1,247	(132)	(10)
	<b>20,947</b>	<b>20,193</b>	<b>(754)</b>	<b>(4)</b>
Asset Rentals	(2,111)	(2,111)	-	-
Interest on Balances	(466)	(630)	(164)	(35)
Contribution From Interest Equalisation Reserve	(1,129)	(276)	853	76
Transfer from Council Tax Freeze Grant Reserve	(313)	(313)	-	-
2014/15 Council Tax Freeze Grant	(124)	(132)	(8)	(6)
To / (from) Earmarked Reserves	(67)	3	70	-
Capital Financing	299	302	3	1
	<b>17,036</b>	<b>17,036</b>	<b>-</b>	<b>-</b>

2014/15 Subjective Analysis	Directorate	Corporate	Total
	Analysis £'000	Amounts £'000	
Fees & Charges	(16,313)	-	(16,313)
Interest and Investment Income	(1,751)	(1,287)	(3,038)
Income from Collection Fund (Including Formula Grant)	-	(36,677)	(36,677)
Govt Grants & Contributions	(50,070)	(2,372)	(52,442)
<b>Total Income</b>	<b>(68,134)</b>	<b>(40,336)</b>	<b>(108,470)</b>
Employee Expenses	10,539	1,610	12,149
Other Service Expenses	69,239	(1,145)	68,094
Support Service Recharges	7,589	-	7,589
Depreciation, Amortisation and Impairment	-	4,004	4,004
Interest Payments	199	-	199
Precepts & Levies	(2,396)	22,656	20,260
Gain or Loss on Disposal of Fixed Assets	-	(1,409)	(1,409)
Transfer to / (from) Earmarked Reserves	-	(10,018)	(10,018)
<b>Total Expenditure</b>	<b>85,170</b>	<b>15,698</b>	<b>100,868</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>17,036</b>	<b>(24,638)</b>	<b>(7,602)</b>

2015/16 Portfolio	Original	Actual	Variance to Original	
	Budget £'000	£'000	Budget £'000	%
Community Development	434	435	1	0
Corporate Development	2,451	2,640	189	8
Environment and Economy	5,837	5,960	123	2
Highways and Transport	(1,602)	(974)	627	39
Housing	2,305	1,832	(473)	(21)
Leisure and Culture	4,500	4,221	(279)	(6)
Licensing Committee	162	139	(23)	(14)
Regulatory Affairs	747	662	(85)	(11)
Resources	1,941	(434)	(2,375)	(122)
Social	2,641	2,186	(455)	(17)
Planning Committee	1,406	1,169	(237)	(17)
	<b>20,822</b>	<b>17,835</b>	<b>(2,986)</b>	<b>(14)</b>
Asset Rentals	(2,045)	(2,045)	-	-
Interest on Balances	(725)	(684)	41	6
Contribution From Interest Equalisation Reserve	(570)	(425)	145	25
Contribution From Revenue Contingency Reserve	(84)	-	84	100
Purchase of Investment Property	-	2,300	2,300	-
Transfer from Council Tax Freeze Grant Reserve	(313)	(313)	-	-
2015/16 Council Tax Freeze Grant	(133)	(131)	2	2
To / (from) Earmarked Reserves	(253)	161	415	164
Capital Financing	297	297	0	0
	<b>16,996</b>	<b>16,996</b>	<b>0</b>	<b>0</b>

2015/16 Subjective Analysis	Directorate	Corporate	Total
	Analysis £'000	Amounts £'000	
Fees & Charges	(15,498)	-	(15,498)
Interest and Investment Income	(2,060)	(979)	(3,039)
Income from Collection Fund (Including Formula Grant)	-	(38,149)	(38,149)
Govt Grants & Contributions	(45,897)	(5,891)	(51,788)
<b>Total Income</b>	<b>(63,455)</b>	<b>(45,019)</b>	<b>(108,474)</b>
Employee Expenses	10,276	1,262	11,539
Other Service Expenses	61,754	(8,294)	53,460
Support Service Recharges	7,590	-	7,590
Depreciation, Amortisation and Impairment	-	5,356	5,356
Interest Payments	194	-	194
Precepts & Levies	639	18,174	18,813
Gain or Loss on Disposal of Fixed Assets	(2)	(2,146)	(2,148)
Transfer to / (from) Earmarked Reserves	-	2,617	2,617
<b>Total Expenditure</b>	<b>80,451</b>	<b>16,969</b>	<b>97,421</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>16,996</b>	<b>(28,050)</b>	<b>(11,053)</b>

## Reconciliation to Cost of Provision of Service (Comprehensive Income and Expenditure Statement)

	2014/15	2015/16
	£'000	£'000
Net Expenditure	17,036	16,996
Funded from Council Tax (Including Formula Grant)	(17,036)	(16,996)
Transfer to Earmarked Reserves (Movement on Reserves Statement)	(10,018)	2,617
Adjustment between Accounting Basis and Funding Basis (Movement on Reserves Statement)	2,416	(13,670)
<b>Surplus on the Provision of Services</b>	<b>(7,602)</b>	<b>(11,053)</b>

### 29. Agency Services

The Council provides on-street car parking management, highway grass cutting and highway weed treatment services to Surrey County Council (SCC). The total net surplus of the work performed on an agency basis is £90,537 (2014/15 - £75,579).

### 30. Members' Allowances

Each Member of the Council receives a fixed (basic) allowance; in addition, a special responsibility allowance is paid to the Leader of the Council, Members of the Cabinet, the Chairmen and Vice Chairmen of committees, and to the leaders of political groups.

Payments to all Members of the Council in 2015/16 amounted to £374,788 of which £9,877 related to expenses (2014/15 - £373,898 of which £13,958 expenses).

The allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances.

### 31. Officers' Emoluments

The Accounts and Audit Regulations 1996 introduced a specific requirement for the disclosure of officers' emoluments. This information must be in a form, which shows the number of employees whose total remuneration for the year fell in each band of a scale in multiples of £5,000, starting at £50,000 as detailed below. This sum includes benefits in respect of such items as car provision, attendance allowances and electoral fees but does not include employer's pension contributions.

2014/15	Band	2015/16
12	£50,000 - £54,999	11
5	£55,000 - £59,999	5
1	£60,000 - £64,999	2
2	£65,000 - £69,999	-
4	£70,000 - £74,999	2
3	£75,000 - £79,999	6
1	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	1
-	£95,000 - £99,999	-
2	£100,000 - £104,999	1
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
1	£115,000 - £119,999	1
-	£120,000 - £124,999	-
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
1	£135,000 - £139,999	1

In addition, the regulations require a full breakdown of the remuneration of the following senior officers of the Council (these officers are included in the above table).

Disclosure of remuneration for senior employees

2015/16 Elmbridge Borough Council

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2015/16
Chief Executive (Head of Paid Service)	129,601.04	6,761.67	0.00	7,600.36	0.00	110.00	144,073.07	18,963.12	163,036.19
Strategic Director & Deputy Chief Executive (S151 Officer)	106,812.96	3,339.00	0.00	7,793.96	0.00	1,122.87	119,068.79	14,766.24	133,835.03
Strategic Director - Services	94,814.96	1,252.37	0.00	7,213.16	0.00	0.00	103,280.49	12,863.60	116,144.09
Head of Legal Services (Monitoring Officer)	70,019.04	0.00	0.00	6,174.24	0.00	1,263.25	77,456.53	9,566.94	87,023.47
	401,248.00	11,353.04	0.00	28,781.72	0.00	2,496.12	443,878.88	56,159.90	500,038.78

2014/15 Elmbridge Borough Council

Comparative data

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2014/15
Chief Executive (Head of Paid Service)	127,011.00	5,500.00	0.00	7,285.60	0.00	0.00	139,796.60	19,663.54	159,460.14
Strategic Director & Deputy Chief Executive (S151 Officer)	104,718.96	3,200.00	0.00	7,672.24	0.00	1,067.05	116,658.25	16,223.40	132,881.65
Strategic Director - Services	92,760.00	1,409.24	0.00	7,939.16	0.00	203.00	102,311.40	14,334.72	116,646.12
Head of Legal Services (Monitoring Officer)	68,646.00	0.00	0.00	6,213.32	0.00	1,181.78	76,041.10	10,893.99	86,935.09
	393,135.96	10,109.24	0.00	29,110.32	0.00	2,451.83	434,807.35	61,115.65	495,923.00

\* Election fees for the Returning Officer are set by the Ministry of Justice

### 32. External Audit Costs

In 2015/16 Elmbridge Borough Council, after taking into account a rebate from the audit commission, incurred £69,110 in fees relating to external audit and inspection (£81,760 – 2014/15).

### 33. Grant Income

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

	2014/15 £'000	2015/16 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Government Formula Grant	(2,352)	(1,776)
Capital Grants	(2,169)	(2,301)
Contribution From Surrey Business Rate Pool	0	(1,016)
NDR Safety Net	(1,090)	0
EBC proportion of total business rates collectable for the year*	(18,566)	(24,444)
Collection Fund Surplus Account	(309)	(190)
Precept on Collection Fund	(12,428)	(12,655)
Council Tax Freeze Grant	(132)	(131)
New Homes Bonus	(2,074)	(2,456)
Other Grants	(925)	(1,160)
<b>Total</b>	<b>(40,045)</b>	<b>(46,129)</b>
<b>Credited to Services</b>		
Housing and Council Tax Benefit Subsidy	(40,887)	(40,528)
NDR Cost of Collection	(184)	(182)
Other Grants	(407)	(404)
<b>Total</b>	<b>(41,478)</b>	<b>(41,114)</b>

\* The proportion is before the application of a Tariff (£18m) (and the levy for 2013/14 of £556,000), both payable to Central Government.

In 2014/15 the council moved from a levy position to a safety net. This means that the government will provide funds to ensure the council reaches the government minimum funding base line. More details can be found in the Collection Fund Income and Expenditure Account statement. In 2015/16 the Council joined the "Surrey Business Rate Pool". As a result the Council is due £1m, its share of the pooling gain, which will only be available to spend in 2017/18.

### 34. Related Party Transactions

The Code of Practice for Local Authority Accounting requires the disclosure of any material transactions with related parties which are not disclosed elsewhere. Examples of related parties to an authority such as Elmbridge Borough Council would include central government, other local authorities and precepting bodies, joint ventures and joint venture partners, together with the Council's Members and Chief Officers.

Several Members are connected with local organisations, with whom the Council has dealings. Material transactions are either material to the Council or of materiality to the third party concerned:

2014/15		2015/16
£		£
16,323,210	Paragon Community Housing Group	16,551,957
857,173	A2 Housing	863,887
170,169	Castle Wildish	146,887
120,040	Walton, Weybridge & Hersham CAB	113,182
93,517	Esher & District CAB	80,090
4,185	Walton Charity	70,000
33,230	Claygate Recreation Ground Trust	33,230
39,250	Elmbridge Rentstart	32,410
25,680	CHEER	26,873
23,620	Voluntary Action Elmbridge	23,580
20,000	Walton on Thames Community Arts Trust	21,700
6,570	Oxshott Heath Conservators	21,570
9,365	South East Employers	17,639
18,116	Local Government Association	17,333
6,750	Relate - West Surrey	6,890
5,900	St Nicholas Church	5,900
16,450	Painshill Park	2,400
7,430	PCC All Saints Church Weston Green	400
8,470	Brooklands Museum Trust Ltd	-
8,210	St Mary's Community Hall	-

Under the Council's corporate governance arrangements, Members are required to declare any interests, personal or prejudicial (or both) on agenda items before meetings of the Council including the Cabinet, committees and sub-committees commence, and any such declarations appear in the minutes.

The Council maintains a register of Members' and officers' interests, which is updated annually.

The appropriate analysis has been undertaken with regard to related party transactions for the year ended 31 March 2016, and the conclusion reached that there were no other material transactions with related parties in that year, which are not disclosed elsewhere in this Statement of Accounts.

### Building Control Mutual

On 1 August 2015 the Council established a Building Control mutual in which it owns 20%. During the first 8 months of trading the mutual made an operating loss of £484,000 for which the authority has no obligation. Building Control work is spread over the building projects life. When the company was established there was a significant amount of work to be completed, which they committed to complete on the Councils behalf. At the 31 March 2016 the outstanding obligation was £351,604, and has resulted in a trading loss. The mutual is considered to be an ongoing concern and it is forecast that it will make its first profit in year 3 of operation, for which the council will receive a share in accordance with the transfer agreement.

At 31 March 2016 the mutual had a net current liability of £312,000, and a long term liability of £172,000, represented by negative shareholder funds of £484,000.

The accounts of the Building Control Mutual were audited by David Howard LLP.

### Trust Funds

The Council administers four Trust Funds, the total value 31 March is £573,583 (£577,399 – 31 March 2015). The main Trust is King George's Hall Trust, which is to provide and maintain a public hall for the inhabitants of Elmbridge, the value at 31 March is £480,570 (£479,415 – 31 March 2015)

### 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

	2014/15	2015/16
	£'000	£'000
Opening Capital Financing Requirement	4,291	3,720
<b>Capital investment</b>		
Property, Plant and Equipment	2,702	2,381
Heritage Assets	-	-
Investment Properties	-	7,384
Intangible Assets	353	270
Revenue Expenditure Funded from Capital under Statute	993	1,324
<b>Sources of finance</b>		
Capital Receipts	(881)	(774)
Government Grants and Other Contributions	(2,593)	(1,189)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(575)	(7,724)
MRP/loans fund principal	(570)	(570)
<b>Closing Capital Financing Requirement</b>	<b>3,720</b>	<b>4,822</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	-	-
Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	(570)	1,102
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(570)</b>	<b>1,102</b>

### 36. Leases

#### The Council as Lessee

##### Finance Leases

The Council has acquired a number of waste disposal vehicles under a finance lease. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31-Mar-15	31-Mar-16
	£'000	£'000
Vehicles	502	72

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

	31-Mar-15	31-Mar-16
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	430	72
- non-current	72	0
Finance costs payable in future years	43	6
<b>Minimum lease payments</b>	<b>545</b>	<b>78</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16
	£000	£000	£000	£000
Not later than one year	467	78	430	72
Later than one year and not later than five years	78	-	72	-
	<b>545</b>	<b>78</b>	<b>502</b>	<b>72</b>

## The Council as Lessor

### Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services such as sporting facilities
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31-Mar-15	31-Mar-16
	£'000	£'000
Not later than one year	700	636
Later than one year and not later than five years	915	1,115
Later than five years	670	461
	<b>2,285</b>	<b>2,212</b>

## 37. Impairment Losses

There were no impairment losses in 2015/16 or 2014/15.

Under regulation impairment losses have no effect on the Council Tax payer.

## 38. Termination Benefits

The Council terminated the contracts of a number of officers in 2015/16, incurring liabilities of £190,509 (£267,521 in 2014/15). This amount is payable to 7 officers (12 officers in 2014/15) from various departments across the Council as part of the Council's staffing restructures in the interest of efficiency. It is estimated that as a result of these termination of contracts and other restructures the Council will save approximately £135,000 per annum (£125,000 per annum 2014/15). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

Number of Employees 2014/15	Termination Benefit	Number of Employees 2015/16
8	£0 - £20,000	2
0	£20,001 - £40,000	4
3	£40,001 - £60,000	1
1	£60,001 - £80,000	0

There were no outstanding payments relating to exit packages at 31 March 2016 (none at 31 March 2015).

### 39. Provisions

	MMI £'000	Search Fees £'000	Other - Dilapidations £'000	Business Rate Appeals £'000	Contaminated Land - Waterside Drive £'000	Total £'000
Balance at 1 April 2015	91	155	1,000	3,113	900	5,259
Additional provisions made			500			500
Amounts used		(108)		(128)		(236)
Unused amounts reversed				(2,011)	(900)	(2,911)
<b>Balance at 31 March 2016</b>	<b>91</b>	<b>47</b>	<b>1,500</b>	<b>974</b>	<b>-</b>	<b>2,612</b>

#### MMI

In 1991 the Council's Insurer Municipal Mutual Insurance (MMI) went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in settling outstanding court cases. The Council were informed that it was unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Council's maximum liability, should there be an insolvent run off, was £389,000. A full provision was made during 2011/12 to cover the maximum liability until an actuarial review of the company is completed. The Council received an actuarial review in 2013 and based on the advice at this time only £150,000 was required to meet the Council's liability. During 2013/14 £59,000 was paid to MMI in respect of this provision. At this time the final settlement remains uncertain, however an additional £39,000 is due to be paid in 2016/17.

#### Land Charges – Search Fees

An action by a number of personal search agents against Local Authorities relating to the Council charging those agents for access to land charges information is in progress.

The parties have agreed liability and quantum for the claim in relation to the search fees. The amount of interest and the final award of claimant's costs for one part of the claim is still to be finalised. The best estimate is that this will be in the order of £47,000.

#### Other Dilapidations

At 1 April 2016 there were three outstanding disputes relating to property. At one of these sites, leased on a full repair and maintenance basis, further works have been identified at an additional cost of £500,000.

## Business Rate Appeals

This balance represents the Councils proportion (40%) of the potential reduction in the amount of business rates as a result of appeals and future appeals. If the Valuation Office re-assess the rateable value as a result of an appeal the Council will reimburse the property owner for its overpayment, backdated to the date of the original assessment, the balance of the cost is borne by Central Government (50%) and Surrey County Council (10%). The decrease in the Councils proportion of the provision is as a result of a review of the success rate of the outstanding appeals and the removal of a provision made for national company for the infrastructure assets to be considered as part of a single list rather than paying each individual. The provision made for the infrastructure asset at 31 March 2015 was based on the information available at that time, however the chance of success and the timing of the decision are now uncertain and on this basis the Council is treating this appeal as a contingent liability.

## Contaminated Land – Waterside Drive

During 2014/15 the Council identified that part of the Waterside Drive site in Walton on Thames was contaminated resulting from its use as a waste disposal site.

The site is currently being redeveloped and the work undertaken to remediate the site, the release of the provision has partially funded the cost of redeveloping the site.

## **40. Defined Benefit Pension Scheme**

### **40.1 Participation in Pension Schemes**

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

The Council participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they fall due.

Note that the disclosures below reflect changes implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest and administration costs in relation to current service costs and administration costs directly related to the management of plan assets. The changes are not material, and have no impact on pensions disclosures in the balance sheet.

### **40.2 Transactions Relating to Post-employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year; so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/15 £'000		2015/16 £'000	£'000
	<b><u>Comprehensive Income and Expenditure Statement</u></b>		
	<b>Cost of Services</b>		
2,420	Current service cost	2,866	
34	Past service costs	20	
-	(Gain)/loss from settlements	-	2,886
	<b>Financing and Investment Income and Expenditure</b>		
1,911	Net interest expense		1,593
4,365	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>		4,479
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
	- Actuarial gains and losses		
	Remeasurement of the net defined benefit liability comprising:		
(7,192)	• Return on plan assets (excluding the amount included in the net interest expense)	1,718	
-	• Actuarial gains and losses arising on changes in demographic assumptions	-	
11,476	• Actuarial gains and losses arising on changes in financial assumptions	(6,458)	
(1,213)	• Other	(1,786)	
3,071			(6,526)
7,436	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		(2,047)
	<b><u>Movement In Reserves Statement</u></b>		
(4,692)	<b>Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code</b>		5,089
2,744	<b>Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme</b>		3,042

### 40.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

	2014/15 £'000	2015/16 £'000
Present value of the defined benefit obligation	(136,335)	(130,914)
Fair value of plan assets	84,863	84,531
	(51,472)	(46,383)
Other movements in the liability / (asset)	-	-
<b>Net liability arising from the defined benefit obligation</b>	<b>(51,472)</b>	<b>(46,383)</b>

## Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

	2014/15	2015/16
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>76,380</b>	<b>84,863</b>
Interest income	3,093	2,612
Remeasurement gains / (loss):		
• Return on plan assets, excluding the amount included in the net interest expense	7,192	(1,718)
• Other	-	-
Contributions from employer	2,744	3,042
Contributions from employees into the scheme	734	746
Benefits paid	(5,280)	(5,014)
Other	-	-
<b>Closing balance at 31 March</b>	<b>84,863</b>	<b>84,531</b>

## Reconciliation of Present Value of the Scheme Liabilities

	2014/15	2015/16
	£'000	£'000
<b>Opening balance at 1 April</b>	<b>123,160</b>	<b>136,335</b>
Current service cost	2,420	2,866
Interest cost	5,004	4,205
Contributions by scheme participants	734	746
Remeasurement (gains) / losses:		
• Actuarial gains / losses arising from changes in demographic assumptions	-	-
• Actuarial gains / losses arising from changes in financial assumptions	11,476	(6,458)
• Other	(1,213)	(1,786)
Past service cost	34	20
Benefits paid	(5,280)	(5,014)
Liabilities extinguished on settlements	-	-
<b>Closing balance at 31 March</b>	<b>136,335</b>	<b>130,914</b>

## Local Government Pension Scheme assets comprised:

	Fair value of scheme assets	
	2014/15	2015/16
	£'000	£'000
Cash and cash equivalents	1,586	2,362
Equity instruments by industry type:		
• Consumer	6,357	6,790
• Manufacturing	4,596	5,168
• Energy & utilities	2,781	2,375
• Financial institutions	5,437	6,041
• Health & care	2,985	2,979
• Information technology	4,053	4,578
• Other	-	124
Sub-total equity	26,209	28,055
Bonds by sector:		
• Corporate	3,430	3,840
• Government	1,911	-
• Other	789	113
Sub-total bonds	6,130	3,953
Property by type:		
• UK property	5,355	5,101
• Overseas property	41	663
Sub-total property	5,396	5,764
Private equity *	3,184	3,363
Other investment funds:		
• Equities	24,718	22,004
• Bonds	7,932	9,070
• Other	9,787	10,470
Sub-total other investment funds	42,437	41,544
Derivatives:		
• Interest rate	(12)	-
• Foreign exchange	(67)	(510)
Sub-total derivatives	(79)	(510)
<b>Total assets</b>	<b>84,863</b>	<b>84,531</b>

\* The private equity investments do not have quoted prices in active markets.

### 40.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2014/15</b>	<b>2015/16</b>
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	4.1%	3.6%
Bonds	4.1%	3.6%
Property	4.1%	3.6%
Cash	4.1%	3.6%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners (years):		
• Men	22.5	22.5
• Women	24.6	24.6
Longevity at 65 for future pensioners (years):		
• Men	24.5	24.5
• Women	26.9	26.9
<b>Pension Increase Rate (CPI)</b>	2.1%	2.1%
<b>Rate of increase in salaries</b>	3.5%	3.6%
<b>Rate of increase in pensions</b>	2.1%	2.1%
<b>Rate for discounting scheme liabilities</b>	3.1%	3.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	<b>Impact on the Defined Benefit Obligation in the Scheme</b>
	<b>Increase in Assumption</b>
	<b>£'000</b>
Longevity (increase of 1 year)	3,927
Rate of inflation (CPI increase by 0.5%)	8,879
Rate of increase in salaries (increase by 0.5%)	3,006
Rate of increase in pensions (increase by 0.5%)	8,879
Rate for discounting scheme liabilities (decrease by 0.5%)	12,016

## 40.5 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The actuary anticipated the authority's expected contributions to the scheme in 2016/17 would be £2,919,000 (2015/16 - £2,676,000), based on the triennial actuarial review at 31 March 2013 dated 31 March 2014.

The weighted average duration of the defined benefit obligation for scheme members is 16.7 years in 2015/16 (16.7 years in 2014/15).

Further information can be found within the Surrey County Council Superannuation Fund Annual Report, which is available upon request from Surrey County Council, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

## 41. Contingent Liabilities

As part of the large scale voluntary transfer agreement between the Council and the Elmbridge Housing Trust the Council provided an environmental warranty with an aggregate cap of £10 million for a period of 30 years. There was no local knowledge of serious problems in this regard, and after taking professional advice from the Council's specialist insurance consultant and considering the likely costs of a full survey and insurance cover, the Council decided not to effect insurance cover in respect of this risk. The warranty was subsequent to a full disclosure being made by the Council of all known environmental issues concerning the housing stock and related assets. No claims against the warranty have been made at the date of the issue of the accounts.

A national company has asked for its entire infrastructure to be moved on to a central list for business rates purposes. In 2014/15 the cost of the move to the Council was made as a provision, however settlement and the value of the settlement appear uncertain and the provision has been removed. If the whole claim is successful this may cost approximately £3.4 million of which £1.4 million will fall on Council as its proportion.

On the 1 August 2015 the Council established a Building Control Mutual. As part of the agreement establishing the mutual the Council provided a guarantee in relation to the pension deficit at the date of the transfer. The liability will only materialise if the Mutual ceases to trade. The cost of the guarantee is approximately £0.7million.

## 42. Contingent Assets

There are no contingent assets.

## 43. Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments

- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. Elmbridge Borough Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### 43.1 Credit Risk

Credit risk arises from deposits with banks and other financial institutions, and in addition credit exposures to the Council's own customers. Elmbridge Borough Council's risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors, applying the lowest available rating for any institution. The Annual Investment Strategy also imposes maximum sums to be invested with a single financial institution located within each category as detailed in the table below.

The credit criteria in respect of financial assets held by the Council are as detailed in the table below.

**Time and Monetary Limits applying to Investments** – The time and monetary limits for institutions on the Council's Counterparty List are as follows:

Category	Fitch (or equivalent)		Money Limit	Time Limit
	Short Term	Long Term		
1	F1	A	£15m	5yrs
2	F1	A	£20m	5yrs
3	F1	A	£10m	1yr
4	F2	BBB+	£5m	1yr
5	-	-	£1m	6mths to 1yr
6	F1	A	£20m in group	1yr
7	-	-	£5m	1yr
8	F1	AAA	£3m in group	-

**Investment Limits** - The Council sets additional criteria to cover the amount of monies which will be invested with individual bodies referred to above. These are shown in the table below:

Institution	Category	Maximum Loan £m	
Major UK Clearing Banks and Subsidiaries	1	15 <sup>(1)</sup>	
Lloyds Bank plc	2	20	
UK Bank Subsidiaries of Overseas Banks	6	20 <sup>(2)</sup>	
Nationwide Building Society	3	10	
Yorkshire, Coventry and Leeds Building Societies	4	5	
Non-Credit Rated Building Societies	5	1	
Other Local Authorities	7	5	
Money Market Funds – Prime Rate Sterling/Ignis Sterling	8	2 <sup>(3)</sup>	(1) Per

Clearing Bank   <sup>(2)</sup> Within the Category   <sup>(3)</sup> £3m in the group

Credit rating information is closely monitored and any institutions falling below the minimum criteria are removed immediately from the Council's Counterparty List.

**Customer Debt** - Credit exposures to customer debt are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Elmbridge Borough Council.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In relation to its customers, the Council has a prudent provision for bad debts to cover cases of default. There are no debts posing a credit risk to the Council at the balance sheet date, which are not covered by the provision for bad debts.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, £4.7 million of the £9.8 million balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

2014/15 £'000	2015/16 £'000	2015/16 %
1,837 Less than three months	3,354	0.71
571 Three to six months	371	0.08
395 Six months to one year	545	0.11
335 More than one year	469	0.10
3,138	4,739	1.00

## 43.2 Liquidity Risk

Elmbridge undertakes daily cash flow management to ensure that it has adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have sufficient funds to meet its liabilities as they become due.

At 31 March 2016, Elmbridge has external borrowing with the PWLB of £4,540,000 with a maturity analysis as follows:

	2014/15 £'000	2015/16 £'000
<b>Short term loans</b>		
Less than one year	140	140
<b>Long term loans</b>		
Between one and two years	140	140
Between two and five years	420	420
Between five and fifteen years	1,400	2,900
More than fifteen years	2,580	940
	4,680	4,540

The fair value of Public Works Loan Board (PWLB) loans of £4.5 million, measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the [additional/reduced] interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the [additional/reduced] interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £4.5 million would be valued at £5.5 million. But, if the authority were to seek to [avoid the projected loss/realise the projected gain] by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to [charging a premium for the additional interest that will not now be paid/giving a discount for the reduced interest income that will be avoided]. The exit price for the PWLB loans including the penalty charge would be £5.0million.

All trade and other payables are due to be paid in less than one year.

### 43.3 Market Risk

#### Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have an impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowing at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services, or Other Comprehensive Income and Expenditure.

However, changes in interest receivable on variable rate investments would be posted to Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the Council against changes in the investment income generated on its

surplus funds due to changes in market conditions; at the 31 March 2016 the balance remaining on this reserve was £1.3 million.

According to this assessment strategy, at 31 March 2016, if interest rates had been 0.25% higher with all other variables held constant, the financial effect would have been an additional £100,000 being credited to the Surplus or Deficit on the Provision of Services.

#### **43.4 Price Risk**

The Council does not hold any investments in equity shares and therefore is not exposed to potential losses arising from movements in share prices.

#### **43.5 Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## Collection Fund Income and Expenditure Account

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

2014/15				2015/16			
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000	
			Note				
			<b>Income</b>				
-	100,956	100,956	Council tax receivable	3	-	103,434	103,434
54,430	-	54,430	Business rates receivable	4	56,282	-	56,282
(201)	-	(201)	Transitional protection payable		42	-	42
<b>54,229</b>	<b>100,956</b>	<b>155,185</b>			<b>56,324</b>	<b>103,434</b>	<b>159,758</b>
			<b>Expenditure</b>				
			Apportionment of previous year's surplus				
276	-	276	Central Government		(143)	-	(143)
221	230	451	Elmbridge Borough Council		(114)	249	135
55	1,323	1,378	Surrey County Council		(29)	1,458	1,429
-	234	234	Surrey Police & Crime Commissioner		-	258	258
<b>552</b>	<b>1,787</b>	<b>2,339</b>			<b>(286)</b>	<b>1,965</b>	<b>1,679</b>
			Precepts, demands & shares				
26,545	-	26,545	Central Government		26,902	-	26,902
21,236	12,428	33,664	Elmbridge Borough Council		21,522	12,655	34,177
5,309	72,907	78,216	Surrey County Council		5,380	75,724	81,104
-	12,906	12,906	Surrey Police & Crime Commissioner		-	13,404	13,404
<b>53,090</b>	<b>98,241</b>	<b>151,331</b>			<b>53,804</b>	<b>101,783</b>	<b>155,587</b>
			Charges to the Collection Fund:				
233	136	369	Write-off of uncollectable amounts		209	108	317
(25)	131	106	Increase / (decrease) in bad debt provision		(147)	8	(139)
708	-	708	Amount Charges to Appeals Provision	2	320	-	320
6,714	-	6,714	Increase / (decrease) in appeals provision		(5,348)	-	(5,348)
184	-	184	Cost of Collection		182	-	182
<b>7,814</b>	<b>267</b>	<b>8,081</b>			<b>(4,784)</b>	<b>116</b>	<b>(4,668)</b>
<b>61,456</b>	<b>100,295</b>	<b>161,751</b>			<b>48,734</b>	<b>103,864</b>	<b>152,598</b>
7,227	(661)	<b>6,566</b>	(Surplus) / deficit arising in year		(7,590)	430	<b>(7,160)</b>
(1,236)	(1,850)	<b>(3,086)</b>	<b>Balance at 1 April</b>		5,991	(2,511)	<b>3,480</b>
<b>5,991</b>	<b>(2,511)</b>	<b>3,480</b>	<b>Balance at 31 March</b>		<b>(1,599)</b>	<b>(2,081)</b>	<b>(3,680)</b>

## Notes to the Collection Fund Income and Expenditure Account

### 1. Business Rates Retention Scheme

The method for distributing and accounting for Non-Domestic Rates changed in 1 April 2013 with the introduction of the Business Rates Retention Scheme. Under the previous arrangements the total amount, less certain reliefs and other deductions, was paid into a National Pool.

The Council collects business rates in its area based on local rateable values multiplied by a uniform rate prescribed by Central Government. However, the objective of the new scheme was to allow local authorities to benefit from supporting local business growth by retaining a proportion of increases in business rates retained income above a baseline funding level, to invest in local services, subject to a Central Government growth levy. Safety net arrangements have also been established to compensate those authorities where retained income falls below a certain threshold. Elmbridge is due to receive a safety payment as retained income due to the authority was lower than its funding baseline level.

Revenue growth under the new scheme is shared between Central Government, Elmbridge and Surrey County in the ratio 50:40:10. The 40% share of growth accruing to Elmbridge is then subject to a Central Government levy applied at a rate of 50%, so that in practice Elmbridge is permitted to retain 20% of any business rates growth of its share of retained income above its 2015/16 baseline funding level of £2.1 million (2014/15 £2.1 million). The baseline funding level rises each year in line with the change in the business rates multiplier. As a result of the provision for appeals (note 2) the Council was due a safety net payment of £1.1 million in 2014/15. In 2015/16 the Council entered into a pool with Surrey County Council and three other district Councils in Surrey. As a result of entering the pool the Council will retain an extra £1.0m of business rates which would otherwise have been paid to Central Government. Elmbridge are not in a pool in 2016/17.

### 2. Provision for Appeals

The Government announced in 2014/15 that appeals would not be considered for backdating to 2010 if they were submitted after 31 March 2015. This resulted in a considerable influx of appeals in March 2015. In 2014/15 the provision was increased from £1.1m to £4.8m as a result of these appeals. In addition, a national company has asked for all of its infrastructure to be moved on to a central list the cost if successful to Elmbridge Borough Council will be in the region of £3.0 million. The increase in the provision in 2014/15 of £6.7 million in the provision for appeals was the main reason for the accumulated deficit at 31 March 2015. In 2015/16 it became apparent that there is more uncertainty about the success of the appeal for the infrastructure and for this reason the provision has been removed and a contingent liability provided for within the Council account. It also appears that there were a significant number of spurious submission of appeals in order to meet the deadline of the 31 March 2015, combined with the removal of the infrastructure appeal this has resulted in a decrease in the provision for appeals of £5.3m

### 3. Council Tax Receivable

For Council Tax purposes all domestic properties are placed in one of eight valuation bands at 1991 prices, the bands ranging from A to H. The Council set a 2015/16 Council Tax charge for Band D properties of £1,652.79 within the Claygate Parish Area and £1,638.64 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with Council Tax costs under the local Council Tax Reduction scheme administered by Elmbridge Borough Council and substantially financed by central government. The local scheme replaces the national Council Tax Benefit system which was abolished by the Government from 1 April 2013.

The Council Tax base for the year for the Elmbridge Borough Council area, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts & Reliefs	Ratio	Band D Equivalent Dwellings
A	259	6/9	173
B	918	7/9	714
C	5,053	8/9	4,492
D	10,618	1	10,618
E	9,534	11/9	11,652
F	7,234	13/9	10,449
G	10,583	15/9	17,638
H	3,808	18/9	7,616
<b>TOTAL</b>	<b><u>48,007</u></b>		<b><u>63,352</u></b>
		<b>Less: Adjustments *</b>	<b>(1,267)</b>
		<b>Council Tax Base</b>	<b><u>62,085</u></b>

\* An adjustment is made to reflect the estimated rate of collection of Council Tax for the year.

#### 4. Business Rates Receivable

The total Non Domestic Rateable Value for the Elmbridge area at 31 March 2016 was £134.3 million, and the National Non-Domestic Rates multiplier 48.0p for 2015/16.

## Glossary of Terms

This glossary helps to define some of the terms and phrases found in these accounts.

### **Accounting Period**

The length of time covered by the accounts, in the case of these accounts the year from 1 April 2015 to 31 March 2016.

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

### **Actuarial Gains and Losses**

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

### **Appropriations**

The transfer of resources between various revenue reserves.

### **Balances**

These represent the accumulated surplus of revenue income over expenditure.

### **Budget**

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

### **Budget Requirement**

The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

### **Capital Charge**

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

### **Capital Expenditure**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services for more than one year.

### **Capital Financing Account**

An account that is credited with the amounts set aside for the repayment of external debt and with capital expenditure paid for from revenue and capital receipts. The balance cannot be used to fund revenue or capital expenditure.

### **Capital Receipts**

Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

### **Cash Equivalents**

Generally short term, highly liquid investments readily convertible into cash.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.

**Collection Fund**

A fund administered by the Council as a “billing authority”. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Elmbridge Borough Council, Surrey Police, Claygate Parish as required by statute.

**Collection Fund Adjustment Account**

An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council’s element of the Collection Fund balance at the year end.

**Creditors**

The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period with the actual payment being made in the next financial year.

**Current Service Cost**

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

**Debtors**

Amounts owed to the Council but unpaid at the Balance Sheet date.

**Depreciation**

The measure of the cost of the benefit of the fixed asset that have been consumed during the period.

**Expected Rate of Return on Pensions Assets**

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.

**Fees and Charges**

The income raised by charging for goods, services or the use of facilities.

**Fixed Asset**

A tangible item that yields benefit to the Council for a period of more than one year.

**Formula Grant**

Central government financial support towards the general expenditure of local authorities.

**General Fund**

The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

**Intangible Assets**

Expenditure on assets, such as software, which are amortised over their expected life but there is no physical asset.

**Interest Cost**

The expected increase over the period in the present value of the pension scheme liabilities because the benefits are one period closer to settlement.

**LABGI – Local Authority Business Growth Incentive Grant**

A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

**Leasing**

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

**Minimum Revenue Provision**

The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in addition to the minimum requirement, known as a voluntary provision for debt redemption.

**Non Domestic Rates**

Rates from Non Domestic properties, collected locally, are pooled nationally and redistributed from this pool to local authorities on the basis of population.

**Precept**

The amount that Surrey County Council, Surrey Police Authority, Elmbridge Borough Council and Claygate Parish Council require the Collection Fund to pay to meet the costs of their services after government grant.

**Provisions**

Amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

**Public Works Loans Board**

A government body that provides loans to local authorities.

**Reserves**

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems.

Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revenue Expenditure**

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

**Revenue Expenditure funded from Capital Resources Under Statute**

Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset.

**Specific Government Grants**

Central Government financial support towards particular services which is “ring fenced”, i.e. can only be spent on a specific service area or items.

## Abbreviations

ABG	Area Based Grants
BSc	Bachelor of Science
CAB	Citizens Advice Bureaux
CCTV	Closed Circuit Television
CIL	Community Infrastructure Levy
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
DRC	Depreciated Replacement Cost
ECIF	Elmbridge Civic Improvement Fund
EUV	Existing Use Value
FRS	Financial Reporting Standard
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standard
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LPSA	Local Public Service Agreement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDR	Non Domestic Rates

PFI	Private Finance Initiative
PDG	Planning Delivery Grant
PPP	Public Private Partnership
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
SAC	Special Areas of Conservation
SANGS	Suitable Alternative Natural Green Space
SeRCOP	Service Reporting Code of Practice
SCC	Surrey County Council
SPA	Special Protection Areas
VAT	Value Added Tax
VFM	Value for Money
VOA	Valuation Office Agency



# Elmbridge Borough Council

... bridging the communities ...

## Annual Governance Statement 2015/16

For the period 1 April 2015 to 31 March 2016

### 1. Scope Of Responsibility

Elmbridge Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards and 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, Elmbridge Borough Council is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- Elmbridge Borough 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 Council's Code is on our website at: [www.elmbridge.gov.uk](http://www.elmbridge.gov.uk) or can be obtained from :  
Head of Legal Services  
Elmbridge Borough Council  
Civic Centre  
High Street  
Esher, KT10 9SD
- This statement explains how Elmbridge Borough Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, Part 2 regulation 6(1) (b) which requires all relevant authorities to prepare an annual governance statement.

### 2. The Purpose Of The Governance Framework

- The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Elmbridge Borough Council's objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- **The governance framework has been in place at Elmbridge Borough Council for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Statement of Accounts.**

### 3. The Governance Framework

The key elements of the governance framework that Elmbridge Borough Council has in place are outlined below:

- The Council reviews its vision and priorities annually. The approved Council Plan 2015/16 incorporates the Council's Vision for the five-year period 2013 to 2018. The Top Priorities for 2014/15 were retained for 2015/16. These were:
  - A safe, caring and healthy Elmbridge
  - A vibrant and thriving Elmbridge
  - A unique, green and attractive Elmbridge

Nine flagship projects were identified for 2015/16 to help improve Elmbridge and to fulfill the Council's vision that links to the top priorities. In February 2015 the Council approved the Authority's priorities and targets for 2015/16. Key outcomes and performance against these Flagship Activities are reported to Members during the year.

Specifically, quarterly performance monitoring reports are presented to Cabinet against the 2015/16 corporate plan objectives, flagship activities and the basket of performance indicators. The final report on the Council's performance in 2015/16 against the Council Plan 2015/16 will be a Cabinet item on 6th July 2016.

- The Council's Constitution defines the roles/responsibilities of the Cabinet (Executive), regulatory committees, Overview & Scrutiny Committee and statutory officers and sets out how these roles are discharged and the delegations extended to officers and Members.
- An annual report of the work undertaken by the Performance and Finance Standing Panel in 2015/16 was provided to the Overview and Scrutiny Committee in March 2016.
- The Member Code of Conduct was adopted/published in July 2012 and has been communicated widely.

- The effectiveness of the Council's decision-making framework is a standing item on programmed meetings of the statutory officers and Members' approval is sought for necessary changes.
- The Head of Legal Services works with and supports the Constitutional Review Working Group and reports to Council on necessary changes to the Constitution.
- The Council's decision making is set out in the Council Forward Plan and meetings are open for the public to attend.
- The Council's Strategic Risk Register is reviewed annually and links to the Council's top priorities and strategic objectives.
- Counter fraud and anti-corruption arrangements incorporate a regular review of policies. An officer Counter Fraud Board is an established mechanism that aims to ensure effective counter fraud arrangements and an appropriate counter fraud response is provided to accord with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014. The Council is part of the Surrey Counter Fraud Partnership that is in place to enhance the detection and prevention of fraud along with eight other Surrey authorities. The Council actively participates in the National Fraud Initiative and the Fraud Hub aims to raise fraud awareness across the Council.
- Effective arrangements for the management of change and transformation are ensured by regular project management updates on all major projects to the Council Management Board. The Council Management Board specifically monitors the Council's "Brilliant Customer Service Every Time" transformation project on a regular basis.
- Financial management and assurance arrangements conform with the governance requirements of the relevant CIPFA statements 2010 and regular reports are submitted to the Audit and Standards Committee.
- The effective discharge of the Monitoring Officer and Head of Paid service functions are assisted by regular meetings of the three statutory officers and with Members and by regular review of Constitutional powers.
- The Audit and Standards Committee has defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance.
- The Head of Legal Services and Head of Finance give express consideration to legal and financial implications of all decision-making reports so as to ensure compliance with relevant laws and regulations.
- Whistleblowing arrangements are in place by means of a Confidential Reporting (Whistleblowing) Policy to receive and investigate complaints from staff and members of the public.
- Internal Audit completed 19 audit reviews in 2015/16. This has been reported to the Audit and Standards Committee in the Internal Audit Annual Report 2015/16 in June 2016.

- Members and senior officers training and development arrangements are in place through an annual Member Development Programme and a comprehensive officer training programme.
- The Communications Plan and publication of the Council's Annual Report provide mechanisms for communicating with the community and other stakeholders and accountability for service delivery and outcomes.

#### 4 **Review Of Effectiveness**

Elmbridge Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:

- - the work of the Council Management Board and senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
  - The Council's risk management framework;
  - The Head of Internal Audit Partnership's Opinion Statement:

***“The overall opinion is that the Council's internal control environment is generally adequate and effective. This is based on the work undertaken by Internal Audit during 2015/16, and summarised in this report.***

***Agreed management actions arising from Internal Audit work have been reported to senior management and the Council Management Board and I am satisfied that management has undertaken to address any control weaknesses.”***

- the Head of Internal Audit Partnership's annual report;
- the Audit and Standards Committee internal audit progress reports;
- comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by:

- The completion of Annual Assurance Statements by all Heads of Service as at 31 March 2016. Heads of Service were requested to confirm their Information Governance responsibilities for the first time in the 2015/16 statement. All statements were returned with no significant issues highlighted. Responses received regarding management arrangements and processes were noted and considered.
- An Internal Audit Corporate Governance assurance review;
- The Head of Legal Services testing the specific requirements of the Local Code of Corporate Governance against the behaviours, codes and protocols put in place by the Council and documented in the Constitution and elsewhere.

We have been advised on the implications of the result of the review of the governance framework by the Audit and Standards Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## **5. Outcomes, Value for Money and Improvements During The Year**

The Audit and Standards Committee received the Council's appointed External Auditor's (Grant Thornton) Audit Findings for 2014/15 in September 2015. This report contained an unqualified opinion on the 2014/15 financial statements and a Value for Money conclusion confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Seven Council flagship activities were on target or completed as at 31 March 2016.

Specific outcomes from these activities in 2015/16 include:

- 60 to 70 local businesses have been supported through a training programme focusing on leadership, marketing and international trade;
- The recycling and composting rate of 51.8% was achieved for 2015/16, in excess of the target of 49%;
- The total number of completions of affordable homes in 2015/16 was 62, well in excess of the target of 40;
- The number of long-term empty homes has decreased by 56 from 533 to 477 over the year;
- The new Physical Activity Strategy was adopted by the Council and launched to partners;
- Community celebrations were delivered to promote the Rugby World Cup 2015 and local clubs were supported in their local delivery;
- The basis for the redevelopment of the Stompond Lane Sports Ground was agreed;
- The redevelopment of the Sports Hub at Waterside Drive commenced.

Budget reductions and additional income of £1.9m have been identified for 2016/17 with no impact on frontline service provision.

During 2015/16 improvements have been made to the Council's arrangements and matters identified in 2014/15 have been addressed as follows: -

- i) The Council's improvement was monitored on an ongoing basis by the Council Management Board and the work of corporate improvement groups continued across the Council in 2015/16 in this regard.
- ii) The Council has strengthened its arrangements with regard to the following:
  - Safeguarding:
    - Following changes to the Care Act the Council is working to develop a single model Adult Safeguarding policy that is being developed across Surrey and is intended to be adopted in 2016/17;

- The Council has developed its role in Child Sexual Exploitation work and has led on joint working in this area across Surrey.
  - Business Continuity & Emergency Planning:
    - Service Business Continuity Plans were reviewed and updated by the majority of services in 2015/16 and this process is being monitored with a view to completion in early 2016/17.
  - Health and Safety:
    - An updated Health & Safety Policy and Statement was approved in June 2015;
    - The Health & Safety Advisor carried out a risk assessment audit across the authority during 2015/16 and this exercise found that the Council is broadly compliant with the suitable assessment of risk. The Health & Safety Advisor is following up with those services where some gaps in compliance were identified.
- iii) Information Governance arrangements were strengthened by the compilation of Information Asset Registers during the year. These were almost completed across the Council in 2015/16 and monitoring and reporting mechanisms are now being developed.

Mandatory Information Management and Security and Data Protection training was refreshed and provided throughout the year and an online facility is planned for Data Protection training in 2016/17.

## 6 Significant Governance Issues

**On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31 March 2016 and the corporate governance health check undertaken by Internal Audit, there are no significant governance issues to report. Furthermore the review of the Council's system of governance and internal control has not identified any significant weaknesses.**

We propose over the coming year to continue to further improve and enhance our governance arrangements. We will continue to monitor improvements and enhancements made as part of our next annual review.

Signatures: \_\_\_\_\_ Date: \_\_\_\_\_  
 Leader of the Council

\_\_\_\_\_ Date: \_\_\_\_\_  
 Chief Executive

Internal Audit completed 19 audit reviews in 2015/16. This has been reported to the Audit and Standards Committee in the Internal Audit Annual Report 2015/16 in June 2016.

The audit review of Cash and Bank acknowledged the difficulties encountered with the bank reconciliation process for 2015/16. The Council changed its banking provider in April 2015 and operational issues arose from this that impacted upon the bank reconciliation work. Succession planning arrangements were in place in early 2015 and a handover was carried out prior to the retirement of the Treasury Manager in July 2015. However, with the retirement of this key resource and despite these measures there was a delay in producing monthly bank reconciliations in a timely manner.

A management action was agreed to resolve the issues before 31<sup>st</sup> July. However, a full reconciliation was not completed until September 2016. Failure to produce a bank reconciliation by the agreed date, whilst not material, is a control issue and has been included in the AGS for note.

Management have taken on board the recommendations from the External Auditors and will ensure that Bank Reconciliations will be completed on a timely basis. The reconciliation for March 2016 is now complete and is subject to audit by Grant Thornton. The outcome of the audit is not expected to adversely affect the statement of accounts as published or identify any significant governance issues.