GUILDFORD BOROUGH

Statement of Accounts

2010-11

Contents

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUILDFORD BOROUGH COUNCIL

Opinion on the Council's accounting statements

I have audited the accounting statements of Guildford Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in note 1. Accounting Policies.

This report is made solely to the Members of Guildford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Guildford Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report my exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007.

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

Council’s Responsibilities

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

Auditor’s Responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Guildford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Guildford Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Grady
District Auditor

Bridge House
1 Walnut Tree Close
GUILDFORD GU1 4UA

28 September 2011

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority 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 authority, that officer is the Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

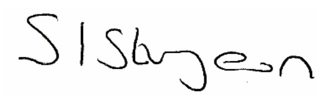
In preparing this Statement of Accounts, the Chief Financial Officer has:

- select suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts set out on pages 13 to 81 presents a true and fair view of the financial position of Guildford Borough Council at 31st March 2011 and of its income and expenditure for the year ended 31 March 2011.



Sue Sturgeon, CPFA
Chief Financial Officer
19 September 2011

CHIEF FINANCIAL OFFICER'S EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

The Council's statutory statement of accounts for the year 2010-11 is set out in the following pages. Local Authorities are required to prepare their accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is the first to be based on International Financial Reporting Standards (IFRS) and has been developed by the Local Authority Accounting Code Board comprising members from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority of Scotland Accounts Advisory Committee (LASAAC), under the oversight of the Financial Reporting Advisory Board (FRAB). It constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

Preparing the accounts under IFRS means that the statements and notes are different from those published in previous years but the 2009-10 accounts have been restated in IFRS format so that comparative figures are available.

This change is significant in the way that the Statement is prepared and presented. Note 2 in the Statement of Accounts explains the material differences between the Code and the previous Statement of Recommended Practice all of which relate to technical accounting changes rather than affecting the Council's overall financial position. This is due to the statutory approval of entries in the accounts to mitigate against significant changes caused by the implementation of the new accounting requirements.

The complete set of financial statements comprises:

- the Movement in Reserves statement: showing the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. This statement starts from the surplus or deficit on provision of services calculated in accordance with generally accepted accounting practice and shows the adjustments to the accounts made under statutory regulations and also the discretionary transfers to or from earmarked reserves.
- the Comprehensive Income and Expenditure Statement: showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This statement provides the detail behind the surplus or deficit on provision of services figure included in the Movement in Reserves statement.
- the Balance Sheet: showing the value as at 31 March 2011 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.
- the Cash Flow Statement: showing the changes in the amount of cash and cash equivalents 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.
- notes to the above statements: giving a summary of significant accounting policies and other explanatory information
- the Housing Revenue Account: covering income and expenditure relating to the provision of council housing in accordance with Part 6 of the Local Government and Housing Act 1989. The Housing Revenue Account is ringfenced from the rest of the General Fund. Its primary purpose is to ensure that the expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants so that rents cannot be subsidised from Council Tax, or vice versa.
- notes to the Housing Revenue Account
- the Collection Fund Revenue Account: showing the transactions of the Council as a billing authority in relation to non-domestic rates and council tax. The Fund shows the way in which these have

been distributed to local authorities and the Government on whose behalf Guildford Borough Council collects the amounts due.

- notes to the Collection Fund

The order in which the statement is presented is prescribed by the Code and the accounts are supported by the Statement of Accounting Policies, which is at note 1 to the accounts.

Budget - General Fund
The net budget requirement for the year 2010-11 was set in February of 2010 at £16,742,531 an increase of 2.78 per cent on the previous year. The net budget requirement is the amount the Council expects to spend after allowing for income from sources such as direct grants, fees, charges and rents but excludes income from Government formula grant and adjustments relating to the collection fund balance.

The precept requirements of the Parish Councils of £1,274,875 (an increase of 2.8 per cent) are excluded from the above figure.

The Borough Council's band D council tax was set at £144.05 an increase of 1.75 per cent on the previous year.

Budget Outturn - General Fund
Total expenditure and income in the year for all services can be seen in the Comprehensive Income and Expenditure Statement.

2010-11 was a challenging year. The new Government was elected in May 2010 and immediately withdrew funding from several grant streams within the year. The Council had taken a prudent approach and had assumed nil income from Housing and Planning Delivery Grant and Local Authority Business Growth Incentive Grant in the 2010-11 budget. The impact of the removal of specific grant funding was therefore limited to that relating to free swimming for those over 60 years of age. The national economic situation continued to have an effect on the Council's finances. Income generation at the leisure centres, particularly Spectrum, remained a challenge but there were signs of recovery relating to the income achieved from off street car parking, industrial estates and investment property. It is now clear that the recovery from recession will be slow and unsteady; financial markets remain volatile and growth and consumer confidence are patchy. However the Council is in a strong financial position, with healthy reserves and a robust plan to address the financial constraints that the Government will undoubtedly impose.

At service unit level, net expenditure was £3.261 million lower than originally budgeted, after allowing for accounting adjustments and other items that do not impact on the level of Council Tax. This is 3.72 per cent of the total relevant gross expenditure budgets.

During 2010-11 the implications for local government of the Comprehensive Spending Review and the Government's response to the national economic situation became clear. In presenting a balanced budget for 2011-12, with no increase in Council Tax and a significant reduction in Government funding, the Council was able to build into the base budget savings from a review of the Minimum Revenue Provision (MRP) and the tight control of the staffing establishment and vacancies. Both of these factors contributed to the 2010-11 outturn, together with some other one-off windfalls and the results of good financial stewardship as follows:

- a reduction in salary and associated costs of £1.256 million due to the management of vacancies throughout the year. This approach has the benefit of keeping to a minimum the need to enforce compulsory redundancies when carrying out service restructuring

- internal financing of assets bought for the recycling works scheme plus a review of the calculation of the minimum revenue provision resulted in a saving to budget of £957,000
- in previous years the Council had secured Value Added Tax (VAT) refunds in respect of claims that were incorrectly time limited by Her Majesty's Customs and Excise (HMRC). In 2010-11 the Council took the opportunity to extend and update these claims, resulting in an unbudgeted VAT refund of £177,000 plus interest of £188,000. The element of the refund relating to services (£177,000) has been included in the relevant service revenue account whilst the interest is included with the interest earned on investments
- additional income of £433,000 was included in 2010-11 from an adjustment to the housing benefits grant claim relating to 2009-10, following completion of the audit. In addition £203,000 was included in 2010-11 for the recovery of overpaid housing benefits. From these amounts a contribution of £360,000 was made to the Housing Benefits bad debts provision in preparation for the transfer of the administration of Housing Benefits to a national agency. This has been done as it is thought likely that recovery of the outstanding debt will remain with the Council
- a reduction in the cost of vehicle leasing of £105,000 by extending the life of existing vehicles rather than replacing
- a reduction in repairs and maintenance costs of £441,000 as non essential repair work was put on hold whilst a review of the resources and structures necessary to ensure effective maintenance of the Council's property was carried out.
- total service income approximately £244,000 in excess of that budgeted
- unbudgeted costs of £98,000 for a provision for land charges in relation to a potential liability for restitution of personal search fees and a £95,000 contribution to the Council's bad debt provision

Without these large one-off items, the overall position at service level would have been net expenditure £955,000 less than the budget.

A more detailed analysis of the variances in service expenditure can be found in the Final Accounts report to the Executive of 16 June 2011, which is available on the Council's web site, www.guildford.gov.uk at Final Accounts Report

The Council receives interest on external investments with a value of approximately £65 million. Overall interest returns in the year were approximately £36,000 less than the anticipated £1.306 million. This variance arose because base rate increases assumed when the estimates were set did not happen. As a result of the lower than assumed 7 day rate, offset by higher margins of return, net interest receipts were £224,000 less than estimated. There was an interest receipt of £188,000 relating to the VAT refund, giving an overall shortfall against estimate of £36,000.

Overall the net expenditure on the General Fund was lower than the original estimate to the value of £4.352 million. This has been utilised as follows:

- a contribution of £322,000 to the Spectrum renewals reserve for various works necessary to make the facilities compliant with all relevant legislation prior to the commencement of a Leisure Management contract in November 2011
- a contribution of £78,000 to the Invest to Save reserve to fund telephony and information technology works required as part of the Leisure Management contract
- a contribution of £600,000 to a pension reserve towards the Council's liability for the pension backfunding element relating to staff who will transfer to the Leisure Management operator
- a contribution of £700,000 to the Invest to Save reserve to enable the transformational change required to meet the ongoing financial challenges

- a contribution of £2.652 million to the Capital Programme reserve for funding the Council's General Fund capital programme which has an estimated underlying need to borrow of £3 million including £2.3 million for the replacement of the roofs at the Spectrum leisure complex.

Reserves and Balances
A full list of reserves and balances is no longer included in the Statement of Accounts, however it can be found in the Final Accounts report to the Executive on 16 June 2011. Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 9 to the accounts.

A bad debt provision is maintained at a suitable level including sufficient provision to meet all likely non-collectable local taxation.

Council Tax and Uniform Business Rate
A high level of collection performance was maintained in the year. The council tax collectable debit for 2010-11 was £84.5 million and 99.05 per cent had been collected by 31 March 2011. At the same time 99.1 percent of the collectable debit for non domestic rates (£72.2 million) had been collected.

Housing Revenue Account (HRA)
Details of the Housing Revenue Account can be found on pages 75 to 79 of the Statement of Accounts. 2010-11 was year nine of the Government's rent restructuring policy, which aims to bring council house rents in line with registered social landlord rents over ten years. On the basis of maintaining rent affordability for tenants in the prevailing economic climate, the Government has now put the convergence date back to 2015-16. The Council agreed a rent increase, in line with Government guidance, of 3.1% resulting in an average rent of £90.38 per week.

Costs and subsidy on rent rebates have been accounted for within the General Fund since April 2004, except for the element of cost that relates to previous years' average rents being above Government guidelines. This cost remains in the HRA and was £419,854 for 2010-11. Subsidy of £10.537 million was paid to central government after allowing for receipt of the Major Repairs Allowance of £3.973 million.

Spend on responsive and planned maintenance was £605,000 lower than estimated, mainly due to lower demand and increased investment in previous years. Employee related expenditure was £230,000 lower than estimated, as a result of the deferral of recruitment to some posts, combined with the Community Care restructure. This restructure delivered in year savings ahead of corresponding reductions in supporting people funding for 2011-12.

For 2010-11 the vacant possession adjustment factor used in the valuation of HRA dwellings has been reduced from 45 per cent to 32 per cent in accordance with guidance published by the Government in January 2011. This has resulted in a significant reduction in the balance sheet value of Council dwellings of £101 million despite an increase in the vacant possession value. A valuation loss of £60 million was charged to the Comprehensive Income and Expenditure Statement after taking into account the amount in the revaluation reserve.

The Government funded Major Repairs Allowance of £3.973 million was transferred to the major repairs reserve but was used to support housing capital expenditure, leaving a nil balance at 31 March 2011.

A sum of £3.332 million was transferred to the HRA capital programme reserve.

The level of balance on the Housing Revenue Account was maintained at £1.9 million as at 31 March 2011.

The reserve held to fund future capital expenditure on the housing stock had a balance at 31 March 2011 of £16.628 million.

Capital Expenditure
Capital expenditure in the year totalled £22.08 million. Financing was provided from internal resources such as sales of assets, the HRA major repairs reserve, contributions from revenue and contributions from third parties. There is an estimated underlying need to borrow of approximately £3 million for General Fund services in 2011-12.

This year the major areas of capital spend relating to housing were on council house modernisation and renovations (£4.4 million), housing improvement grants (£579,000), affordable housing projects (£148,000) and equity share property repurchases (£99,000).

Non-housing expenditure included replacement of the boilers at Millmead offices (£528,000), replacement of Pay on Foot equipment in the car parks (£380,000) and various schemes at Spectrum (£282,000).

Expenditure in the year on G Live (the Council's new entertainment venue) was £13.5 million, totalling £21.7 million up to 31 March 2011. £4.2 million is expected to be spent in 2011/12 to complete the project.

Internal sources of funds available at 31 March 2011 to meet future capital expenditure were:

- usable capital receipts £19.246 million
- General Fund capital programme reserve £2.652 million
- Housing capital programme reserve £16.628 million
- unconditional grants and contributions received but not yet applied £129,000

Treasury Management
Investments at 31 March 2011 totalled £64.7 million, which is made up of £45.2 million deposits for less than one year duration, long term investments £14.4 million and externally managed funds £5.1 million.

Gross interest received in the year from investments was £1.1 million against a budget of £1.4 million.

The Council took out a 10 year Equal Instalment of Principal (EIP) loan from the Public Works Loans Board (PWLB) in March 2011 for £2.3 million. The Housing Revenue Account had previously been internally borrowing £4.2million from the General Fund. Because of the impending HRA subsidy reform and the estimated underlying need to borrow in 2011-12 for the General Fund Capital Programme the Council borrowed the £2.3 million to repay the General Fund.

The investment markets remained extremely challenging, base rate was held at 0.5 per cent and the Council continued its focus on preserving capital whilst optimising interest earnings.

A full report on the Treasury Management activities of the Council can be found in a report to the Executive of 16 June 2011 which is also available on the Council's web site, www.guildford.gov.uk at Treasury Management Annual Report

Pension liability
As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. The Council participates in the Local Government Pension Scheme administered by Surrey County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Council accounts for pension costs based on International Accounting Standard (IAS) 19; Employee Benefits. This standard requires that the cost of retirement benefits are reported when they are earned by employees rather than when the benefits are paid as pension. Legislation prevents this cost impacting on council tax and housing rent levels which are based on the cash payable in the year. The difference is adjusted in the accounts by a transfer to or from a statutory Pensions Reserve.

The accounts, based on IAS 19, show a total pension fund liability of £45.6 million (£71.6 million in 2009-10) which has a substantial impact on the net worth of the authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. It is important to remember that pensions are long term assets and liabilities and the IAS 19 figures disclose the position at a point in time based on the actuary's financial assumptions.

The Government has commissioned a review of public sector pensions by Lord Hutton of Furness which recommends significant changes to public pensions.

Conclusion
For the year under review the net financial result is pleasing. The Council has been able to maintain a high level of performance in the delivery of its services, and at the same time increase its reserves and provisions to a level adequate to meet all known liabilities and invest in transformational change. In these circumstances the Council's finances continue to be in a stable and healthy condition, although there are significant financial challenges in the years to come.

The Council is well placed to meet the challenges it faces and has a programme of measures to deliver the savings required for 2011-12 and is in the process of identifying projects to balance the budget in the medium term.

S I Sturgeon

Sue Sturgeon, CPFA
Chief Financial Officer
30 June 2011

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 1 April 2009	2,750	29,659	1,900	13,088	22,808	0	540	70,745	594,707	665,452
Movement in Reserves during 2009-10										
Deficit on the provision of services	(1,680)		(11,102)					(12,782)		(12,782)
Other Comprehensive Income and Expenditure								0	13,259	13,259
Total Comprehensive Income and Expenditure	**(1,680)**	**0**	**(11,102)**	**0**	**0**	**0**	**0**	(12,782)	**13,259**	477
Adjustments between accounting basis & funding basis under regulations (Note 8)	(1,145)	0	11,740	0	(1,091)		(318)	9,186	(9,186)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(2,825)**	**0**	**638**	**0**	**(1,091)**	**0**	**(318)**	**(3,596)**	**4,073**	**477**
Transfers to/from Earmarked Reserves (Note 9)	3,823	(3,823)	(638)	638				0		0
Increase / Decrease in 2009-10	998	(3,823)	0	638	(1,091)	0	(318)	(3,596)	4,073	477
Balance at 31 March 2010 carried forward	3,748	25,836	1,900	13,726	21,717	0	222	67,149	598,780	665,929

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010 carried forward	3,748	25,836	1,900	13,726	21,717	0	222	67,149	598,780	665,929
Movement in Reserves during 2010-11										
Surplus/(deficit) on the provision of services	8,387		(56,263)					(47,876)		(47,876)
Other Comprehensive Income and Expenditure									875	875
Total Comprehensive Income and Expenditure	**8,387**	**0**	**(56,263)**	**0**	**0**	**0**	**0**	**(47,876)**	**875**	**(47,001)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(15,275)		59,165		(2,471)		(93)	41,326	(41,326)	
Net Increase/Decrease before Transfers to Earmarked Reserves	**(6,888)**	**0**	**2,902**	**0**	**(2,471)**	**0**	**(93)**	**(6,550)**	**(40,451)**	**(47,001)**
Transfers to/from Earmarked Reserves (Note 8)	6,888	(6,888)	(2,902)	2,902						
Increase / Decrease in 2010-11	0	(6,888)	0	2,902	(2,471)	0	(93)	(6,550)	(40,451)	(47,001)
Balance at 31 March 2011 carried forward	3,748	18,948	1,900	16,628	19,246	0	129	60,599	558,329	618,928

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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.

2009-10 (Restated)					2010-11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,040	961	1,079	Central Services to the Public		2,062	858	1,204
36,855	18,079	18,776	Cultural, environmental, regulatory and planning services		41,568	18,443	23,125
7,597	10,165	(2,568)	Highways and transport services		7,871	11,050	(3,179)
41,388	30,901	10,487	Local authority housing (HRA)		29,155	31,833	(2,678)
39,609	37,686	1,923	Other housing services		43,715	42,316	1,399
3,352	2,123	1,229	Adult social care		3,914	2,304	1,610
4,099	1,234	2,865	Corporate and democratic core		4,185	767	3,418
54	0	54	Non distributed costs		32	0	32
0	0	0	Exceptional Items	6	41,659	0	41,659
134,994	**101,149**	**33,845**	**Cost of Services**		**174,161**	**107,571**	**66,590**
		2,756	Other operating expenditure	10			1,858
		(4,635)	Financing and investment income and expenditure	11			(1,489)
		(19,184)	Taxation and non-specific grant income	12			(19,083)
		12,782	**Deficit on Provision of Services**				47,876
				25			
		(41,045)	Surplus or deficit on revaluation of Property, Plant and Equipment assets				7,036
		(57)	Surplus or deficit on revaluation of available for sale financial assets				173
		27,843	Acturial gains / losses on pension assets / liabilities	43			(8,084)
		(13,259)	**Other Comprehensive Income and Expenditure**				(875)
		(477)	**Total Comprehensive Income and Expenditure**				47,001

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are 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 limitations on their use (for example the Capital Receipts Reserve that 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'.

1 April 2009 £000 (Restated)	31 March 2010 £000 (Restated)		Notes	31 March 2011 £000
558,694	593,835	Property, Plant & Equipment	13	531,462
79,480	79,872	Investment Property	14	76,427
1,156	957	Intangible Assets	15	737
18,612	14,657	Long Term Investments	16	14,417
403	145	Long Term Debtors	16	97
658,345	**689,466**	**Long Term Assets**		**623,140**
50,804	39,932	Short Term Investments	16	35,096
0	758	Assets Held for Sale	21	0
202	201	Inventories	17	273
8,145	8,049	Short Term Debtors	19	6,563
4,595	12,230	Cash and Cash Equivalents	20	16,221
63,746	**61,170**	**Current Assets**		**58,153**
(152)	(152)	Short Term Borrowing	16	(156)
(13,045)	(12,467)	Short Term Creditors	22	(13,877)
0	(245)	Provisions	23	(297)
(13,197)	**(12,864)**	**Current Liabilities**		**(14,330)**
(341)	(234)	Long Term Borrowing	16	(2,421)
(43,101)	(71,609)	Other Long Term Liabilities	43	(45,614)
(43,442)	**(71,843)**	**Long Term Liabilities**		**(48,035)**
665,452	**665,929**	**Net Assets**		**618,928**
70,745	67,149	Usable Reserves	24	60,599
594,707	598,780	Unusable Reserves	25	558,329
665,452	**665,929**	**Total Reserves**		**618,928**

CASH FLOW STATEMENT

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.

2009-10 £000		**2010-11 £000**
(12,782)	Net deficit on the provision of services	(47,876)
75,900	Adjustments for non-cash movements	106,458
(55,236)	Adjustments for items included in the net deficit that are investing and financing activities	(47,093)
7,882	Net cash flows from Operating Activities (Note 26)	11,489
353	Investing Activities (Note 27)	(10,512)
(600)	Financing Activities (Note 28)	3,014
7,635	Net increase in cash and cash equivalents	3,991
4,595	Cash and cash equivalents at the beginning of the reporting period	12,230
12,230	Cash and cash equivalents at the beginning of the reporting period (Note 20)	16,221

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010-11 financial year and its position at the year-end of 31 March 2011. The Accounts and Audit Regulations 2011 require the Council to prepare its annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11, 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.

Accruals of Income and Expenditure

Financial transactions are accounted for in the year that the activity takes place which is not necessarily the same period that the cash payments or receipts in respect of the transaction occur. In particular:

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser.
- Income from the provision of services is recognised when the Council can measure with a reasonable degree of reliability the transaction and it is probable that economic benefits or service potential associated with the transaction will arise.
- 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 payable on borrowings and receivable on investments is accounted for 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash includes cash in hand and any deposits with financial institutions that are repayable without penalty on notice of not more than 24 hours e.g. Call Accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value, and include Money Market Funds.

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 arrangements.

Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or where 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 by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used
- revaluation and impairment losses on assets where there are insufficient previous gains in the Revaluation Reserve against which the losses can be absorbed; and
- amortisation of intangible assets

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements equal to either an amount calculated by the Council on a prudent basis and determined in accordance with statutory guidance, or loans fund principal charges. The Impact upon the General Fund of charging depreciation, revaluation and impairment losses and amortisation is therefore reversed by transferring an amount from the Capital Adjustment Account within the Movement in Reserves Statement.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which the individual employee provides service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Deficit on the Provision of Services, but then reversed out through the Movement in Reserves

Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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. These costs are charged on an accruals basis to the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, legislation requires 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 charges for termination benefits and replace them with a charge for the amount payable to the former employee and the pension fund.

Post Employment Benefits

Most of the Council's employees are members of the Local Government Pension Scheme administered by Surrey County Council. The scheme provides defined benefits earned as Council employees (retirement lump sums and pensions) to members and is accounted for as a defined benefits scheme where:

- The liabilities of the pension scheme 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 discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond over a range of periods.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value using the following bases:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions that relate to years of service earned in earlier years – charged to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the increase in the present value of liabilities occurring during the year as they move one year closer to being paid – charged to Finance and Investment Expenditure in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees charged or credited, as appropriate, to the Provision of Services costs in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited (or credited) to the Pensions Reserve
- contributions paid to the Surrey County Council Pension Fund – additional employer's contributions made to the pension fund in settlement of liabilities.

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. This is calculated on a different basis to the charge implied by relevant accounting standards and therefore adjustments need to be made to ensure the Council's General Fund adheres to the statutory provisions.

These adjustments comprise appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits so as to replace them with charges for the amounts payable to the pension fund and pensioners. 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 has limited powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of a decision to make a discretionary award to any member of staff are accrued in the accounts during the year the decision is made.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period (31 March 2011) and the date when the Statement of Accounts is authorised for issue (27 September 2011). 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. However, where the event 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 authorisation for issue are not reflected in the Statement of Accounts.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts.

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 is initially measured at fair value and carried at amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest 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 discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of 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.

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 in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the 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 advanced, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

The Council has made a number of loans to staff to purchase a car. These loans are carried at cost on the basis that this is considered to be materially close to fair value.

Where any loan or other amount receivable is identified as being impaired because of a likelihood that the full amount due will not be made, the loan or amount receivable asset balance is reduced with the adjustment becoming a charge to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of an asset are credited or charged as appropriate to the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised 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 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 carried in the Balance Sheet at fair value with the basis of the value being as follows:

- 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/Deficit on Revaluation of Available-for-Sale Assets. The exception is where impairment losses have been incurred – these are charged to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the 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 value of the asset is reduced and a charge made to 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 derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised.

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

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 it is reasonable to conclude that:

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received or have been received.

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Account until conditions attaching 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 in the form of 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, attributable revenue grants and contributions are credited to the relevant service line and non-ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Where capital grants or contributions 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 a contribution has yet to be used to finance capital expenditure, it is posted to the Capital Contributions Unapplied reserve. Where a grant or contribution has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied.

Where it is uncertain whether a grant or contribution will be used for capital or revenue purposes, the grant will be credited to an earmarked reserve.

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.

Expenditure on the development of the Council's website has not been capitalised because the purpose of the project has been primarily to promote and advertise the Council's services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. 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 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.

Inventories

Inventories are included in the Balance Sheet at cost on the basis that this is not materially different from the recommended practice of carrying inventory items at the lower of cost or net realisable value.

Investment Properties

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.

The value of an investment property is initially measured at cost. Thereafter, it is measured at fair value which is based on the amount at which the asset could be exchanged between two separate and knowledgeable parties. Investment properties are not depreciated but are revalued annually according to market conditions at 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 as are any gains or 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. Accordingly, any gains or losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account (revaluations and value of assets disposed of) and the Capital Receipts Reserve (proceeds of disposals greater than £10,000).

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

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 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 fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Council as Lessee</u>

Finance Leases

Property, Plant and Equipment (PPE) 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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – 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)

PPE recognised under a finance lease 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.

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore replaced by revenue provision 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 to the services benefitting 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).

<u>The Council as Lessor</u>

Finance Leases

Where the Council grants a finance lease for an item of PPE, 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 PPE or Assets Held for Sale) is written off to 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 also credited to the Comprehensive Income and Expenditure Statement 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 asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property which is applied to write down the value of the lease liability; and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Any surplus created by disposing of the asset is credited to the Comprehensive Income and Expenditure Statement. However, because statute does not permit any surplus on disposal to increase the General Fund Balance and for the full disposal proceeds to be treated as a capital receipt, any surplus is transferred from 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 amount is transferred from the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset and 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease for an item of PPE, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement 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).

Overheads and Support Services

The costs of overheads and support services are allocated in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010-11* (BVACOP). The total absorption costing principle is used where the full cost of overheads and support services are allocated, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

Recognition

Expenditure (including any amounts owed to third parties) on the acquisition, creation or enhancement of PPE is capitalised if it is probable that the item of PPE will generate future economic benefits and/or service potential and the cost of the item can be measured reliably. Expenditure that does not enhance an asset such as repairs and maintenance expenditure is not capitalised and is charged to the Comprehensive Income and Expenditure Statement as an expense when it is incurred.

Measurement

PPE 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 any future decommissioning costs that will be necessary such as dismantling an item or restoring a site upon which the asset it is located.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Comprehensive Income and Expenditure Statement and 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 are valued at historical cost (depreciated as appropriate)
- dwellings are valued at fair value which is determined by estimating the value of the dwelling for its existing use as a social housing dwelling
- all other assets are valued at “fair value” which is the estimated amount that would be paid for the asset in its existing use.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are credited to the Revaluation Reserve (unless there has been a previous reduction in valuation that has been charged to the Comprehensive Income and Expenditure Statement in which case it is credited to the Comprehensive Income and Expenditure Statement).

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

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

Where there is no balance 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 and losses that arose prior to 1 April 2007 have been transferred to 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 by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve, 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.

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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell, and is no longer subject to depreciation. Where there is a subsequent decrease to fair value less costs to sell, the loss is charged to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of (or decommissioned), the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Comprehensive

Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

Depreciation is provided for on PPE assets that are available for use by the systematic allocation of their depreciable amounts over their useful lives. However, assets that do not have a determinable finite useful life such as freehold land are not depreciated. In addition, assets that are in the course of construction and therefore not yet available for use are also not depreciated.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property, as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 10 years.

Where an item of PPE has major components where the cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council's policy is to componentise assets (excluding land) with a value grater than £1 million and where the component(s) comprise more that 20% of the value of the asset.

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.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are created when the Council has an obligation such as a legal claim against it that has arisen from a past event and it is probable that the Council will need to settle that obligation. In addition, it is necessary that the obligation can be reliably estimated.

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. It is then estimated at the balance sheet date, taking into account relevant risks and uncertainties. When payments are made to clear the obligation, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where necessary revised. If there is a need to increase the provision, the additional amount is charged to the relevant service in the Consolidated Income and Expenditure Account. If, however, the obligation is estimated or ultimately proves to be less than the value of the provision, the excess amount is credited to the relevant service in the Consolidated Income and Expenditure Account.

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 as a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

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 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 and retirement benefits and that do not represent usable resources for the Council.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but 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.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

2. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009-10.

The following tables explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences relates to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009-10 Statements £000	Adjustments Made £000
Creditors	(13,300)	(285)
Accumulated Absences Account	0	(285)

31 March 2010 Balance Sheet

	2009-10 Statements £000	Adjustments Made £000
Creditors	(12,374)	(314)
Accumulated Absences Account	0	(314)

2009-10 Comprehensive Income and Expenditure Statement

	2009-10 Statements £000	Adjustments Made £000
Net Cost of Services	32,064	29
Deficit for the year	18,234	29

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the code.

The Council both leases out and leases in a number of properties where the accounting treatment has changed following the introduction of the Code. The leased out properties were previously classified as operating leases and their value was therefore included in long term assets on the balance sheet. Under the Code, these leases were classified as finance leases. The leased in properties were classified as finance leases and therefore their value was also included in long term assets. Under the Code, these leases were classified as operating leases. As a consequence the financial statements have been amended as follows:

Opening 1 April 2009 Balance Sheet:

	2009-10 Statements £000	Adjustments Made £000
Other Land & Buildings	107,515	(857)
Investment property	84,505	(1,850)
Capital Adjustment Account	613,619	(2,672)
Revaluation Reserve	22,138	(35)

31 March 2010 Balance Sheet:

	2009-10 Statements £000	Adjustments Made £000
Other Land & Buildings	114,026	(857)
Investment property	84,897	(1,850)
Capital Adjustment Account	599,939	(2,672)
Revaluation Reserve	67,353	(35)

Government grants and capital contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, contributions were held in a contributions deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Capital Contributions – Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Portions of capital contributions deferred were previously recognised as income in 2009-10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A number of contributions were received in 2009-10 but not used. Previously, no income was recognised in respect of these contributions, which were included in creditors in the balance sheet. Following the change in accounting policy, the contributions have been recognised in full, and transferred to the Capital Contributions Unapplied Account within the reserves section of the balance sheet.

This has resulted in the following changes being made to the 2009-10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009-10 Statements £000	Adjustments Made £000
Capital contributions-deferred	(5,092)	5,092
Capital Adjustment Account	613,619	5,092
Creditors	(13,300)	540
Capital Contributions Unapplied	0	540

31 March 2010 Balance Sheet

	200910 Statements £000	Adjustments Made £000
Capital contributions-deferred	(5,955)	5,955
Capital Adjustment Account	599,939	5,955
Creditors	(12,374)	220
Capital Contributions Unapplied	0	220

2009-10 Comprehensive Income and Expenditure Statement

	2009-10 Statements £000	Adjustments Made £000
Net Cost of Services	32,064	836
Deficit for the year	18,234	(546)

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2010-11 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets. It is not anticipated that adoption of this Standard would have any material impact on the accounts.

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 degree of uncertainty about future levels of funding for local government but the Council has determined that this uncertainty does not indicate that the assets of the Council might be impaired.
- Debts are reported at the amounts likely to be recovered and the assessment of the amount that is estimated to be doubtful is based on historical experience of debtor default.

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 2011 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	Individual items of PPE are depreciated over estimated useful lives that are partly dependent upon assumptions about the level of repairs and maintenance that will take place. If the Council were not able to	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Depreciation costs do not affect the Council's overall financial position as they form part of the

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
	sustain its level of spending on the repair and maintenance of its assets in the long term the estimated useful life assigned to individual assets would need to be reduced.	adjustment between accounting basis and funding basis under regulations.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, 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 pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £15.293m. A one year increase in member life expectancy would result in an increase in the pension liability of £4.629m. A 0.5% increase in the Salary increase rate would result in an increase in the pension liability of £3.285m and a 0.5 increase in the Pensions increase rate would result in an increase in the pension liability of £11.336m During 2010/11, the Council's actuaries advised that the net pensions liability had decreased by £25.995m as a result of falling long term inflation expectations and due to the pension increase change from RPI to CPI
Debtors	At 31 March 2011 the Council was owed approximately £8.5m. A review of significant balances suggested that an allowance for doubtful debts of £2m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £850,000 to set aside as an allowance.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

6. MATERIAL ITEMS OF INCOME AND EXPENSE

The exceptional items line in the CIES includes the following:

£60m relating to the revaluation loss on council dwellings as a result of the reduction in the vacant possession adjustment factor from 45 per cent to 32 per cent

£18m credit due to future pensions increases being linked to the Consumer Prices Index and not the Retail Prices Index following the Chancellor's budget statement on 22 June 2010.

Both items are do not impact on the General Fund Balance and are therefore reversed out in the Movement in Reserves Statement.

In addition, the Council received a refund of VAT from Her Majesty's Customs and Excise of approximately £177,000 plus interest of approximately £188,000. The refund was credited to the relevant service in the Comprehensive Income and Expenditure Statement whilst the interest is included with the financing and investment income and expenditure.

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 27 September 2011. 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 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. 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.

2010-11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charge for depreciation of non-current assets	4,893	5,033				(9,926)
Revaluation losses on Property Plant and Equipment	4,802	59,997				(64,799)
Movements in the market value of Investment Properties	2,775					(2,775)
Amortisation of intangible assets	380					(380)
Revenue expenditure funded from capital under statute	1,606	38				(1,644)
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	1,447	868				(2,315)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(470)					470
Capital expenditure charged against the General Fund and HRA balances	(12,319)	(469)				12,788

2010-11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and expenditure Statement	(1,020)				1,020	
Application of grants and contributions to capital financing transferred to the Capital adjustment account					(1,113)	1,113
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,116)	(2,127)	3,243			
Use of the Capital Receipts Reserve to finance new capital expenditure			(4,204)			4,204
Contribution form the Capital Receipts Reserve towards the commutation adjustment						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,511		(1,511)			
Adjustments involving the Accumulating Compensated Absences Adjustment Account						
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	(13)					13
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(3,973)		3,973		
Use of the Major Repairs Reserve to finance new capital expenditure				(3,973)		3,973

2010-11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Financial Instraments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(35)				35
adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(13,491)	359				13,132
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,255)	(526)				4,781
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5)					5
Total adjustments	(15,275)	59,165	(2,471)	0	(93)	(41,326)

2009-10 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	3,559	12,365				(15,924)
Revaluation losses on Property Plant and Equipment	832	5,567				(6,399)
Movements in the market value of Investment Properties	(972)					972
Amortisation of intangible assets	429					(429)
Revenue expenditure funded from capital under statute	1,815	44				(1,859)
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	665	2,131				(2,796)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(430)					430
Capital expenditure charged against the General Fund and HRA balances	(7,000)	(2,363)				9,363

2009-10 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and expenditure Statement	(1,405)				1,405	
Application of grants and contributions to capital financing transferred to the Capital adjustment account					(1,723)	1,723
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(605)	(1,726)	2,331			
Use of the Capital Receipts Reserve to finance new capital expenditure			(2,329)			2,329
Contribution form the Capital Receipts Reserve towards the commutation adjustment	29		(29)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,064		(1,064)			
Adjustments involving the Accumulating Compensated Absences Adjustment Account						
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	26	3				(29)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(3,913)		3,913		
Use of the Major Repairs Reserve to finance new capital expenditure				(3,913)		3,913

2009-10 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Financial Instraments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(35)				35
adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	5,092	385				(5,477)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,092)	(718)				4,810
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(152)					152
Total adjustments	(1,145)	11,740	(1,091)	0	(318)	(9,186)

9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010-11.

	Balance at 1 April 2009 £000	Transfers In 2009/10 £000	Transfers Out 2009/10 £000	Balance at 31 March 2010 £000	Transfers In 2010/11 £000	Transfers Out 2010/11 £000	Balance at 31 March 2011 £000
General fund:							
Car Parks Income	730	-	117	613	-	192	421
Car Parks Maintenance	1,614	773	360	2,027	769	325	2,471
Insurance	915	-	27	888	31	-	919
Invest to Save	864	365	215	1,014	778	307	1,485
IT Renewals	788	446	361	873	432	312	993
LAGBI Grant	1,429	-	82	1,347	-	124	1,223
Capital Schemes	16,584	281	5,578	11,287	2,780	11,415	2,652
Park and Ride	1,650	-	-	1,650	-	-	1,650
Parking, Highways & Transportation	2,612	496	520	2,588	513	371	2,730
Pension	-	-	-	-	600	-	600
Other earmarked reserves	2,473	14,747	13,671	3,549	1,384	1,129	3,804
Total	**29,659**	**17,108**	**20,931**	**25,836**	**7,287**	**14,175**	**18,948**
HRA:							
Capital Programme	13,088	2,957	2,319	13,726	3333	431	16,628
Total	**13,088**	**2,957**	**2,319**	**13,726**	**3,333**	**431**	**16,628**

10. OTHER OPERATING EXPENDITURE

2009-10 £000		2010-11 £000
1,240	Parish council Precepts	1,275
1,064	Payments to the government Housing Capital Receipts Pool	1,511
452	Gains / Losses on the disposal of non-current assets	(928)
2,756		**1,858**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009-10 £000		2010-11 £000
30	Interest payable and similar charges	23
3,178	Pensions interest cost and expected return on pensions assets	1,378
(3,095)	Interest receivable and similar income	(1,562)
(4,748)	Income and expenditure in relation to investment properties and changes in their fair value	(1,328)
(4,635)		**(1,489)**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2009-10 £000		2010-11 £000
(9,301)	Council tax income	(9,520)
(6,809)	Non domestic rates	(7,424)
(1,669)	Non-ringfenced government grants	(1,119)
(1,405)	Capital grants and contributions	(1,020)
(19,184)		**(19,083)**

13. PROPERTY, PLANT AND EQUIPMENT

	Council dwellings £000	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
Cost or Valuation								
At 1 April 2010	455,131	118,482	17,604	4,073	5,217	195	12,047	612,749
Additions	4,504	1,210	857	0	193	0	13,492	20,256
Disposals	(868)	0	(417)	0	0	0	0	(1,285)
Revaluations	(105,023)	26,999	0	0	221	0	0	(77,803)
Transfers	0	395	0	0	(245)	(150)	0	0
At 31 March 2011	353,744	147,086	18,044	4,073	5,386	45	25,539	553,917
Accumulated Depreciation and Impairment								
At 1 April 2010	3,601	2,921	8,979	3,413	0	0	0	18,914
Charge for 2010-11	4,980	2,906	1,913	127	0	0	0	9,926
Disposals	0	0	(417)	0	0	0	0	(417)
Revaluations	(3,403)	(2,565)	0	0	0	0	0	(5,968)
At 31 March 2011	5,178	3,262	10,475	3,540	0	0	0	22,455
Net book Value								
As at 31 March 2011	348,566	143,824	7,569	533	5,386	45	25,539	531,462
as at 31 March 2010	451,530	115,561	8,625	660	5,217	195	12,047	593,835

Comparative movements in 2009-10:

	Council dwellings £000	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
Cost or Valuation								
At 1 April 2009	432,659	114,003	11,559	4,073	4,640	195	6,945	574,074
Additions	6,417	949	6,347	0	577	0	5,102	19,392
Disposals	(2,131)	0	(302)	0	0	0	0	(2,433)
Revaluations	18,186	4,290	0	0	0	0	0	22,476
Reclassification to Held For Sale	0	(760)	0	0	0	0	0	(760)
At 31 March 2010	455,131	118,482	17,604	4,073	5,217	195	12,047	612,749
Accumulated Depreciation and Impairment								
At 1 April 2009	347	4,170	7,643	3,220	0	0	0	15,380
Charge for 2009-10	12,320	1,857	1,554	193	0	0	0	15,924
Disposals	0	0	(218)	0	0	0	0	(218)
Revaluations	(9,066)	(3,104)	0	0	0	0	0	(12,170)
Reclassification to Held For Sale	0	(2)	0	0	0	0	0	(2)
At 31 March 2010	3,601	2,921	8,979	3,413	0	0	0	18,914
Net book value as at 31 March 2010	451,530	115,561	8,625	660	5,217	195	12,047	593,835
Net book value as at 31 March 2009	432,312	109,833	3,916	853	4,640	195	6,945	558,694

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
Council Dwellings – 60 years
Other Land and Buildings – 5 - 60 years
Vehicles, Plant, Furniture and Equipment – 3 – 30 years
Infrastructure – 10 years

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £3.017million. Similar commitments at 31 March 2010 were £14.19million. The major commitments are:

- G Live Construction – £2.7million
- 26 and 26A Pound Court - Conversion - £178,000

Revaluations

The freehold and leasehold properties, which comprise the authority’s property portfolio, are revalued on the basis of a five-year rolling programme, which began in 1995/96. Accordingly a proportion of these properties have been revalued as at April 2011 by Vail Williams and Wilks Head and Eve, chartered surveyors, on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Inspections were carried out between April 2010 and March 2011.

Properties regarded by the authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded by the authority as non-operational have been valued on the basis of open market value.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not an apportioned valuation of the portfolio valued as a whole.

The following statement shows the progress of the council's rolling programme for the revaluation of PPE assets:

	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost			18,044		18,044
Valued at fair value as at:					0
31-Mar-11	353,744	105,499			459,243
31-Mar-10		32,166			32,166
31-Mar-09		7,060		45	7,105
31-Mar-08		596			596
31-Mar-07		1,765			1,765
Total Cost or Valuation	353,744	147,086	18,044	45	518,919

14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010-11 £000	**2009-10 £000**
Rental income from investment property	4,963	4,742
Direct operating expenses arising from investment property	758	966
Net gain/(loss)	4,205	3,776

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 for repairs, maintenance or enhancement.

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

	2010-11	2009-10
	£000	£000
Balance at start of the year	79,872	79,480
Disposals	(670)	(580)
Net gains / losses from fair value adjustments	(2,775)	972
Balance at end of the year	76,427	79,872

15. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets only include purchased licences as the Council does not have any significant internally generated software.

All software is given a finite useful life of 5 years based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis. £373,797 of the amortisation of £380,272 charged to revenue in 2010-11 was charged to the IT renewals revenue account where it offsets the income to the account which is based on repayment of the expenditure incurred on the software. The remainder of the amortisation was charged to the building maintenance cost centre.

The movement on the Intangible Asset balance during the year is as follows:

	2010-11	2009-10
	£000	£000
Balance at start of the year:		
Gross carrying amount	2,369	2,139
Accumulated amortisation	(1,412)	(983)
Net carrying amount at start of year	957	1,156
Purchases	160	230
Amortisation for the period	(380)	(429)
Net carrying amount at end of year	737	957
Comprising:		
Gross carrying amount	2,529	2,369
Accumulated amortisation	(1,792)	(1,412)

16. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity.

There are three classifications of financial instrument:

- loans and receivables
- available for sale
- fair value through profit and loss

The Council's portfolio of investments consists of fixed term deposits, money market funds, call accounts and supranational/government bonds. Term deposits and call accounts are classed as 'Loans and Receivables' and money market funds and supernational/government bonds are classed as 'available for sale'.

Balances in money market funds and call accounts at the end of the year are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

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

	Long-term			Current		
	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Investments						
Loans and Receivables	0	0	8,000	30,000	31,001	38,501
Available-for-sale financial assets	14,417	14,657	10,612	0	1,041	0
Financial assets at fair value through profit and loss	0	0	0	5,096	7,890	12,303
Total Investments	**14,417**	**14,657**	**18,612**	**35,096**	**39,932**	**50,804**
Debtors						
Financial assets carried at contract amounts	97	145	403	6,563	8,049	8,145
Total Debtors	**97**	**145**	**403**	**6,563**	**8,049**	**8,145**
TOTAL FINANCIAL ASSETS	**14,514**	**14,802**	**19,015**	**41,659**	**47,981**	**58,949**
Borrowings						
Financial Liabilities at amortised cost	2,300	0	0	43	45	51
Finance lease liabilities	121	234	341	113	107	101
Total borrowings	**2,421**	**234**	**341**	**156**	**152**	**152**
Creditors						
Financial liabilities carried at contract amount	0	0	0	13,877	12,467	13,045
Total creditors	**0**	**0**	**0**	**13,877**	**12,467**	**13,045**
TOTAL FINANCIAL LIABILITIES	**2,421**	**234**	**341**	**14,033**	**12,619**	**13,197**

The Council's loan portfolio at the end of the year consisted of one Public Works Loan Board (PWLB) loan. No temporary borrowing was undertaken during the year.

The portion of long term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'.

The income, expense and gains relating to financial instruments during the year are as follows:

	2010-11				2009-10			
	Financial Liabilities measured at amortised cost £000	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for sale £000**	**Total £000**	**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for sale £000**	**Total £000**
Interest expense	23	0	0	23	22	8	0	30
Fee expense	0	0	0	0	0	0	0	0
Total expense in Deficit on the Provision of Services	**23**	**0**	**0**	**23**	**22**	**8**	**0**	**30**
Interest income	0	(930)	(414)	(1,344)	0	(2,702)	(380)	(3,082)
Total income in Deficit on the Provision of Services	**0**	**(930)**	**(414)**	**(1,344)**	**0**	**(2,702)**	**(380)**	**(3,082)**
(Gains) / Losses on revaluation	0	0	173	173	0	0	(57)	(57)
(Surplus) / deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**173**	**173**	**0**	**0**	**(57)**	**(57)**
Net gain for the year	**23**	**(930)**	**(241)**	**(1,148)**	**22**	**(2,694)**	**(437)**	**(3,109)**

Fair Values of Assets and Liabilities

The Council's financial liabilities and 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 is defined as the amount for which as asset could be exchanged, or liability settled, between the parties in an arm's length transaction. The fair value of a financial instrument on initial recognition is generally the transaction price.

- The Council's debt outstanding at 31 March 2011 consisted of one PWLB Loan. The PWLB has provided the Council with Fair Value amounts in relation to its portfolio and has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates
- In the case of the Council's investments with banks and building societies no early repayment or impairment is recognised because premature redemption is not permitted on fixed investments, therefore the carrying amount is used to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed

amount.

The fair value of long term borrowing (£2.46 million) is higher than the carrying amount (£2.3 million) because the Council's portfolio of loans includes a fixed rate loan where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

17. INVENTORIES

The Council's inventories consist of stocks and work in progress.

18. CONSTRUCTION CONTRACTS

The Council has not entered into any construction contracts.

19. SHORT TERM DEBTORS

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Central government bodies	2,535	2,135	3,417
Other local authorities	773	810	924
Other entities and individuals	3,255	5,104	3,804
Total	6,563	8,049	8,145

20. CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the Council's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short term, highly liquid (i.e. callable) investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Cash held by the Council	16	16	19
Bank current accounts	1,016	1,885	1,786
Callable deposits	15,189	10,329	2,790
Total Cash and Cash Equivalents	16,221	12,230	4,595

21. ASSETS HELD FOR SALE

	2010-11 £000	2009-10 £000
Balance at start of the year	758	0
Assets purchased	20	0
Assets newly classified as held for sale:		
Property, Plant and Equipment	0	758
Assets sold	(778)	0
Balance at end of the year	0	758

22. SHORT TERM CREDITORS

	31 March 2011 £000	31 March 2010 £000	1 April 2009 £000
Central government bodies	2,780	1,007	588
Other local authorities	2,245	2,149	1,989
Other entities and individuals	8,852	9,311	10,468
Total	13,877	12,467	13,045

23. PROVISIONS

The Council's provisions consist of four items totalling £297,072 (£244,628 in 2009-10).

24. USABLE RESERVES

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 8 and 9.

25. UNUSABLE RESERVES

31 March 2010 £000		31 March 2011 £000
59,662	Revaluation Reserve	51,245
186	Available for Sale Financial Instruments Reserve	13
610,834	Capital Adjustment Account	552,924
(31)	Financial Instruments Adjustment Account	4
(71,609)	Pensions Reserve	(45,614)
52	Collection Fund Adjustment Account	57
(314)	Accumulated Absences Account	(301)
598,780		558,329

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

2009-10 £000			2010-11 £000
19,371	**Balance at 1 April**		59,662
41,464	Upward revaluation of assets	36,674	
(419)	Downward revaluation of assets and impairment losses not charged to the Surplus / deficit on the Provision of Services	(43,710)	
41,045	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(7,036)
(754)	Difference between fair value depreciation and historical cost depreciation	(1,139)	
0	Accumulated gains on assets sold or scrapped	(242)	
(754)	Amounts written off to the Capital Adjustment Account		(1,381)
59,662	**Balance at 31 March**		51,245

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2009-10 £000		2010-11 £000
129	**Balance at 1 April**	186
57	Upward / (downward) revaluation of investments	(173)
186	**Balance at 31 March**	13

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling 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 Authority.

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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009-10 £000			2010-11 £000
618,758	**Balance at 1 April**		610,834
	Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
(15,924)	Charge for depreciation of non-current assets	(9,926)	
(6,399)	Revaluation losses on Property Plant and Equipment	(64,799)	
(429)	Amortisation of intangible assets	(380)	
(1,859)	Revenue expenditure funded from capital under statute	(1,644)	
(2,796)	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	(2,315)	
(27,407)			(79,064)
754	Adjusting amounts written out of the Revaluation Reserve		1,381
(26,653)	Net written out amount of the cost of non-current assets consumed in the year		(77,683)
	Capital financing applied in the year:		
2,329	Use of the Capital Receipts Reserve to finance new capital expenditure	4,204	
3,913	Use of the Major Repairs Reserve to finance new capital expenditure	3,973	
1,150	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	986	
573	Application of grants to capital financing from the Capital Grants Unapplied Account	127	
430	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	470	
9,363	Capital expenditure charged against the General Fund and HRA balances	12,788	
17,758			22,548
972	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(2,775)
610,834	**Balance at 31 March**		552,924

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the HRA Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

2009-10 £000		2010-11 £000
(66)	**Balance at 1 April**	(31)
35	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	35
(31)	**Balance at 31 March**	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.

2009-10 £000		2010-11 £000
(43,101)	**Balance at 1 April**	(71,609)
(27,841)	Actuarial gains or losses on pensions assets and liabilities	8,082
(5,477)	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	
		13,132
4,810	Employer's pensions contributions and direct payments to pensioners payable in the year	4,781
	Balance at 31 March	
(71,609)		(45,614)

Collection Fund adjustment Account

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

2009-10 £000		2010-11 £000
(100)	**Balance at 1 April**	52
152	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	5
52	**Balance at 31 March**	57

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009-10 £000			2010-11 £000
(285)	**Balance at 1 April**		(314)
285	Settlement or cancellation of accrual made at the end of the preceding year	314	
(314)	Amounts accrued at the end of the current year	(301)	
(29)	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		13
(314)	**Balance at 31 March**		(301)

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31 March 2010 £000		31 March 2011 £000
4,393	Interest received	1,829
(30)	Interest paid	(23)

27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities are:

31 March 2010 £000		31 March 2011 £000
(18,824)	Purchase of property, plant and equipment, investment property and intangible assets	(20,790)
(36,587)	Purchase of short-term and long-term investments	(38,000)
0	Other payments for investing activities	(18)
2,332	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,243
51,500	Proceeds from short-term and long-term investments	42,833
1,932	Other receipts from investing activities	2,220
353	**Net cash flows from investing activities**	**(10,512)**

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities are:

31 March 2010 £000		31 March 2011 £000
0	Cash receipts of short and long-term borrowing	2,300
(493)	Other receipts from financing activities	823
(6)	Repayments of short and long-term borrowing	(2)
(101)	Other payments for financing activities	(107)
(600)	**Net cash flows from financing activities**	**3,014**

29. 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 *Best Value Accounting Code of Practice.* However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across Service Units.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made for revaluation and impairment losses in excess of the balance on the Revaluation Reserve, which are charged to services in the Comprehensive Income and Expenditure Account
- the cost of retirement benefits (payment of employer's pensions contributions) is based on cash flows rather than current service cost of benefits accrued in the year
- gross expenditure and income (including recharge income) on support services are reported within the appropriate Service Unit. Support services charges are also included within the relevant service costs.

The income and expenditure of the Council's principal Service Units recorded in the budget reports for the year is as follows:

2010-11	**Business Systems**	**Corporate Development**	**Community Care**	**Economic Development**	**Environmental Health**	**Financial Services**	**Housing Advice Services**	**Human Resources**	**Legal and Democratic Services**	**Leisure Services**	**Neighbourhood and Housing Management**	**Operational services**	**Parks and Countryside**	**Planning Services**	**Revenues and Payments**	**Housing Revenue Account**	**Total**
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(4,133)	(1,136)	(2,481)	(6,019)	(701)	(1,294)	(113)	(814)	(1,785)	(8,031)	(3,068)	(19,680)	(2,451)	(1,158)	(3,067)	(27,860)	**(83,791)**
Government grants	0	0	(143)	0	0	(73)	(343)	0	(34)	(13)	0	0	0	(36)	(41,264)	(3,973)	**(45,879)**
Total Income	**(4,133)**	**(1,136)**	**(2,624)**	**(6,019)**	**(701)**	**(1,367)**	**(456)**	**(814)**	**(1,819)**	**(8,044)**	**(3,068)**	**(19,680)**	**(2,451)**	**(1,194)**	**(44,331)**	**(31,833)**	**(129,670)**
Employee expenses	1,466	1,184	2,278	1,351	1,088	2,368	461	535	1,589	4,560	1,728	6,940	1,997	2,536	1,794	2,757	**34,632**
Other service expenses	1,668	1,204	2,181	1,391	605	337	595	104	1,234	4,906	1,572	10,440	1,827	646	42,738	20,689	**92,137**
Support service recharges	449	445	303	608	196	318	85	123	687	405	134	1,662	310	470	475	1,058	**7,728**
Depreciation and amortisation	791	33	76	191	7	1	0	0	0	1,529	34	2,453	156	3	0	5,034	**10,308**
Total Expenditure	**4,374**	**2,866**	**4,838**	**3,541**	**1,896**	**3,024**	**1,141**	**762**	**3,510**	**11,400**	**3,468**	**21,495**	**4,290**	**3,655**	**45,007**	**29,538**	**144,805**
Net Expenditure	**241**	**1,730**	**2,214**	**(2,478)**	**1,195**	**1,657**	**685**	**(52)**	**1,691**	**3,356**	**400**	**1,815**	**1,839**	**2,461**	**676**	**(2,295)**	**15,135**

2009-10	**Business Systems**	**Corporate Development**	**Community Care**	**Economic Development**	**Environmental Health**	**Financial Services**	**Housing Advice Services**	**Human Resources**	**Legal and Democratic Services**	**Leisure Services**	**Neighbourhood and Housing Management**	**Operational services**	**Parks and Countryside**	**Planning Services**	**Revenues and Payments**	**Housing Revenue Account**	**Total**
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(4,251)	(813)	(2,453)	(6,020)	(725)	(1,398)	(143)	(884)	(1,821)	(8,340)	(2,987)	(18,286)	(2,364)	(1,249)	(2,632)	(26,988)	**(81,354)**
Government grants	0	0	(50)	0	0	(188)	(294)	0	0	(37)	0	0	0	(28)	(36,874)	(3,913)	**(41,384)**
Total Income	**(4,251)**	**(813)**	**(2,503)**	**(6,020)**	**(725)**	**(1,586)**	**(437)**	**(884)**	**(1,821)**	**(8,377)**	**(2,987)**	**(18,286)**	**(2,364)**	**(1,277)**	**(39,506)**	**(30,901)**	**(122,738)**
Employee expenses	1,598	1,577	2,337	1,296	1,065	2,357	519	526	1,604	4,479	1,343	7,049	2,224	2,572	1,853	2,905	**35,304**
Other service expenses	1,654	913	2,247	1,535	723	268	656	128	1,064	4,628	1,523	10,439	1,759	932	38,875	19,721	**87,065**
Support service recharges	444	553	314	608	213	349	96	130	684	408	113	1,770	313	517	535	1,110	**8,157**
Depreciation and amortisation	804	33	57	268	8	1	0			920	18	1,686	81	5	0	12,606	**16,487**
Total Expenditure	**4,500**	**3,076**	**4,955**	**3,707**	**2,009**	**2,975**	**1,271**	**784**	**3,352**	**10,435**	**2,997**	**20,944**	**4,377**	**4,026**	**41,263**	**36,342**	**147,013**
Net Expenditure	**249**	**2,263**	**2,452**	**(2,313)**	**1,284**	**1,389**	**834**	**(100)**	**1,531**	**2,058**	**10**	**2,658**	**2,013**	**2,749**	**1,757**	**5,441**	**24,275**

Reconciliation of Service Unit income and expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Service Unit income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010-11	2009-10
	£,000	£,000
Net expenditure in the Service Unit Analysis	15,135	24,275
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis, mainly comprising depreciation, amortisation and impairment	49,909	9,108
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,546	462
Net Cost of Services in Comprehensive Income and Expenditure Statement	**66,590**	**33,845**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Unit income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2010-11	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(83,791)	0	0	11,071	11,028	(61,692)	0	**(61,692)**
Interest and investment income	0	0	0	0	0	0	(1,489)	**(1,489)**
Income from council tax	0	0	0	0	0	0	(9,520)	**(9,520)**
Government grants and contributions	(45,879)	0	0	0	0	(45,879)	(9,563)	**(55,442)**
Total Income	**(129,670)**	**0**	**0**	**11,071**	**11,028**	**(107,571)**	**(20,572)**	**(128,143)**
Employee expenses	34,632	0	(19,309)	(1,417)	(212)	13,694	0	**13,694**
Other service expenses	92,137	0	0	(3,344)	(3,778)	85,015	0	**85,015**
Support Service recharges	7,728	0	0	(690)	(7,038)	0	0	**0**
Depreciation, amortisation and impairment	10,308	0	69,218	(4,074)	0	75,452	0	**75,452**
Precepts & Levies	0	0	0	0	0	0	1,275	**1,275**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,511	**1,511**
Gain on Disposal of Fixed Assets	0	0	0	0	0	0	(927)	**(927)**
Total expenditure	**144,805**	**0**	**49,909**	**(9,525)**	**(11,028)**	**174,161**	**1,859**	**176,020**
Surplus or deficit on the provision of services	**15,135**	**0**	**49,909**	**1,546**	**0**	**66,590**	**(18,713)**	**47,877**

2009-10	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(81,354)	0	0	10,591	10,998	(59,765)	0	**(59,765)**
Interest and investment income	0	0	0	0	0	0	(4,635)	**(4,635)**
Income from council tax	0	0	0	0	0	0	(9,302)	**(9,302)**
Government grants and contributions	(41,384)	0	0	0	0	(41,384)	(9,882)	**(51,266)**
Total Income	**(122,738)**	**0**	**0**	**10,591**	**10,998**	**(101,149)**	**(23,819)**	**(124,968)**
Employee expenses	35,304	0	(2,477)	(1,340)	(192)	31,295	0	**31,295**
Other service expenses	87,065	0	0	(3,588)	(3,416)	80,061	0	**80,061**
Support Service recharges	8,157	0	0	(767)	(7,390)	0	0	**0**
Depreciation, amortisation and impairment	16,487	0	11,585	(4,434)	0	23,638	0	**23,638**
Precepts & Levies	0	0	0	0	0	0	1,240	**1,240**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	1,064	**1,064**
Loss on Disposal of Fixed Assets	0	0	0	0	0	0	452	**452**
Total expenditure	**147,013**	**0**	**9,108**	**(10,129)**	**(10,998)**	**134,994**	**2,756**	**137,750**
Surplus or deficit on the provision of services	**24,275**	**0**	**9,108**	**462**	**0**	**33,845**	**(21,063)**	**12,782**

30. ACQUIRED AND DISCONTINUED OPERATIONS

No operations were acquired or discontinued in 2010-11.

31. TRADING OPERATIONS

The Council has established four trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of these units are as follows:

	2010-11			**2009-10**		
	Turnover	**Expenditure**	**Surplus**	**Turnover**	**Expenditure**	**Surplus**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Building maintenance	2,375	2,395	(20)	2,299	2,277	22
Fleet Management	2,728	2,503	225	2,595	2,602	(7)
Stores	78	79	(1)	83	83	0
Vehicle Maintenance	870	856	14	820	820	0

The net surplus on trading operations is included in the Financing and Investment Income and Expenditure line of the CIES.

32. AGENCY SERVICES

The Council has an agency agreement with Surrey County Council whereby the Council is responsible for parking enforcement within the Borough on behalf of the County Council. Any surplus / deficit generated is paid to / reimbursed by the County Council. The figures are included in highways and transport services within the CIES.

	2010-11 £000	2009-10 £000
Expenditure incurred in providing the parking enforcement service within the Borough	190	183
Income from penalty fees	(163)	(167)
Net deficit reimbursed by Surrey County Council	27	16

33. POOLED BUDGETS

The authority does not have any partnership schemes under s75 of the National Health Service Act 2006.

34. MEMBERS' ALLOWANCES

Members' allowances of £281,659 (£287,414 in 2009-10) were paid in the year to 31 March 2011. A further breakdown is as follows:

	2010-11 £000	2009-10 £000
Basic Allowance	221,577	222,349
Special Responsibility Allowance	54,213	58,245
Mileage and Subsistence	5,869	6,820
	281,659	287,414

The amount paid to each member is published annually on the Council's website, at http://www.guildford.gov.uk/transparencydata

35. OFFICERS' REMUNERATION

The number of employees whose remuneration (including payments receivable on termination of employment and excluding employer's pension contributions), was £50,000 or more in bands of £5,000 were:

Remuneration Band	2010-11	2009-10
	Number of Employees	Number of Employees
	Total	Total
£50,000 - £54,999	8	10
£55,000 - £59,999	14	13
£60,000 - £64,999	4	4
£65,000 - £69,999	4	4
£70,000 - £74,999	3	4
£75,000 - £79,999	3	2
£80,000 - £84,999	0	1
£85,000 - £89,999	1	0
£90,000 - £94,999	1	1
£95,000 - £99,999	1	2
£100,000 - £104,999	1	1
£130,000 - £134,999	1	1

The following table sets out the Senior Officers' emoluments for 2010-11, where the salary is between £50,000 and £150,000 per year:

Postholder		Salaries, fees and Allowances	Other non salary payments	Lump sum in respect of car mileage, telephone etc.	Pension Contribution	Car lease/ other benefits	Total
Chief Executive	**2010/11**	**123183**	**0**	**1642**	**17985**	**7836**	**150646**
	2009/10	123183	0	1642	17985	7535	150345
Strategic Director	**2010/11**	**91766**	**0**	**1642**	**13398**	**6826**	**113632**
	2009/10	91766	1835	1642	13666	6497	115406
Strategic Director	**2010/11**	**91255**	**0**	**1642**	**13323**	**5574**	**111794**
	2009/10	89826	0	1642	13018	5618	110104
Strategic Director	**2010/11**	**89163**	**0**	**1642**	**13018**	**2849**	**106672**
	2009/10	86385	0	1642	12612	2849	103488
Head of Service - 1	**2010/11**	**76869**	**4515**	**492**	**11792**	**7138**	**100806**
	2009/10	76877	12232	492	13009	6789	109399
Head of Service - 2	**2010/11**	**71156**	**0**	**727**	**10350**	**4246**	**86479**
	2009/10	66671	1316	468	9886	4064	82405
Head of Service	**2010/11**	**71142**	**0**	**660**	**10387**	**5459**	**87648**
	2009/10	71142	0	660	10387	5238	87427
Head of Service	**2010/11**	**70189**	**0**	**468**	**9578**	**5260**	**85495**
	2009/10	70019	0	468	9578	5058	85123
Head of Service	**2010/11**	**65817**		**468**	**9609**	**5603**	**81497**
	2009/10	65817	1316	468	9609	5377	82587
Head of Service	**2010/11**	**65817**	**0**	**468**	**9609**	**4953**	**80847**
	2009/10	65832	1316	468	9801	4726	82143
Head of Service	**2010/11**	**65817**	**0**	**618**	**9609**	**4440**	**80484**
	2009/10	65822	1316	600	9801	4221	81760
Head of Service	**2010/11**	**65817**	**0**	**720**	**9609**	**2567**	**78713**
	2009/10	65817	0	720	9609	3106	79252
Head of Service	**2010/11**	**65817**	**0**	**1961**	**9609**	**0**	**77387**
	2009/10	65817	1316	1961	9801	0	78895
Head of Service	**2010/11**	**65738**	**0**	**600**	**9393**	**2103**	**77834**
	2009/10	65989		600	9393	2145	78127
Head of Service - 3	**2010/11**	**63851**	**0**	**468**	**9322**	**4432**	**78073**
	2009/10	45950	0	345	6708	2932	55935
Head of Service	**2010/11**	**61729**	**0**	**1756**	**9012**	**843**	**73340**
	2009/10	61904	0	1680	9012	683	73279
Head of Service - 4	**2010/11**	**56765**	**0**	**1704**	**8288**	**727**	**67484**
	2009/10	61152	0	468	8928	5853	76401
Head of Service - 4	**2010/11**	**51294**	**0**	**0**	**7489**	**4522**	**63305**
	2009/10	56886	0	660	8134	2208	67888
Head of Service - 5	**2010/11**	**41065**	**13641**	**1411**	**7987**	**350**	**64454**
	2009/10	71794	8678	1419	11603	600	94094

Note1 – The other non-salary payments are for work undertaken for the General Election (Surrey County Council and European Elections in 2009-10), which are met directly from Central Government (SCC and Central Government in 2009-10), and constitute separate employment

Note 2 – Head of Service provided services for both the Authority and Hart District council for the period 1 July 2010 to 31 March 2011. This person is formally employed by the Authority and Hart District Council was recharged 40 percent of their salary and other remuneration

Note 3 – Post holder started in July 2009

Note 4 – Previous post holders retired in 2010/11

Note 5 – Post holder left at end of October 2010; their annualised salary was £71,794

36. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2010-11	2009-10
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	121	122
Fees payable to the Audit Commission in respect of certification of grant claims and returns	47	45
Fees payable in respect of other services provided by the Audit Commission	12	19
Total	**180**	**186**

37. GRANT INCOME

The Council credited the following grants, contributions and donations to the CIES in 2010-11:

	2010-11	2009-10
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Non domestic rates	7,424	6,809
Non-ringfenced government grants		
Revenue Support Grant	1,078	1,572
Local Authority Business Incentive Grant	0	74
Area Based Grants	41	23
Capital grants and contributions	1,020	1,405
Total	**9,563**	**9,883**
Credited to Services		
Housing Benefit Rent Allowance subsidy	18,994	16,442
Housing Benefit Rent Rebate subsidy	13,277	12,479
Council Tax Benefit subsidy	6,835	6,472
MRA Grant	3,973	3,913
Supporting People Grant	1,108	1,034
Housing Benefit Administration	985	820
Concessionary Bus Fares	875	360
Contributions to grants to voluntary organsiations	685	700
Safer Guildford Partnership	384	160
Homelessness Strategies	344	294
Day care and other social services	309	309
Business Rate Collection	245	255
Recycling of food waste	150	75
Housing and Planning Delivery Grant	87	199
Natural England Higher Level Stewardship	77	64
LPSA Performance Reward Grant	0	92
Other	340	275
Total	**48,668**	**43,943**

38. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions.

Members and Officers

Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid in 2010-11 is shown in Note 34. The Council maintains a register of councillors' and officers' interests, which is updated annually. Contracts were entered into in full compliance with the Council's standing orders. In addition, declaration forms were sent to all councillors and relevant officers at the end of the year. The appropriate analysis has been undertaken with regard to the year ending 31 March 2011. Grants totalling £392,000 (£393,000 in 2009-10) were paid to voluntary organisations in which a number of elected councillors had an interest. In addition grants totalling £407,000 were paid to voluntary organisations in which a number of councillors were acting as a Borough Council nominee. The grants affected were, however, made with proper consideration of declarations of interest and the relevant councillors, although able to take part in any discussion relating to these grants, were excluded from voting.

Set out below are transactions of more than £50,000, and transactions of more than £10,000 where this constitutes 20% or more of the relevant organisation's annual turnover, and where the councillor or officer concerned held a position of influence within the organisation.

Recipient Organisation	Relationship	Transaction
Barn Youth Project	Councillors White and Kolassa were Council nominees	£13,000 grant, representing 29 per cent of the organisation's turnover
Canterbury Care Centre	Councillors Jordan and Searle declared interests	£11,695 grant, representing 28 per cent of the Centre's annual turnover
Guildford CAB	Councillor Laker was vice chair and Councillors Mansbridge and Wright were Trustees	£289,144 in support, representing over half its funding
Ash CAB	Councillor P Scott declared an interest	£70,915 in support, representing over half its funding
Yvonne Arnaud Theatre	Councillor French had an interest as a nominee of the Council	£334,920 grant, representing 5% of the theatre's turnover

Other Public Bodies

The independent Chairman of Standards & Audit Committee, who is not a member of the Council, was also Chairman of Surrey Police Authority.

39. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, 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.

	2010-11 £'000	2009-10 £'000
Opening Capital Financing Requirement	4,933	1,210
Capital Investment		
Operational assets	20,276	14,290
Non-operational assets	0	5,102
Intangible assets	160	230
Revenue Expenditure Funded from Capital under Statute	1,644	1,859
Sources of finance		
Specific Capital Grants	(244)	(240)
Capital Receipts	(4,204)	(2,329)
Contributions	(869)	(1,483)
Direct Revenue Financing and MRP	(13,258)	(9,793)
HRA Major Repairs Reserve	(3,973)	(3,913)
Closing Capital Financing Requirement	4,465	4,933
Movement during the year	(468)	3,723
Increase/(decrease) in underlying need to borrow		
(unsupported by government financial assistance)		

40. LEASES

Council as Lessee

Finance leases

The Council has acquired a number of assets under finance leases. These assets are carried as Property, Plant and Equipment and Investment Property in the Balance Sheet at the following net amounts:

	2010-11 £'000	2009-10 £'000
Council Dwellings	2,089	2,699
Other Land & Buildings	10,562	4,599
Vehicles, Plant, Furniture and Equipment	215	322
Investment Property	410	410
	13,276	8,030

Premiums were paid at the start of the property leases and there are no more payments due. The Council is committed to making minimum payments under the lease for vehicles and equipment comprising settlement of the long-term liability for the interest in the assets 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:

	2010-11	2009-10
	£'000	£'000
Finance lease liability (Net present value of minimum lease payments)		
Current	113	107
Non-current	121	234
Finance costs payable in future years	7	14
Minimum lease payments	241	355

Operating leases

The Council has entered into operating leases for several operational properties. The future minimum lease payments due under non-cancellable leases in future years are:

	2010-11	2009-10
	£'000	£'000
Not later than one year	146	184
Later than one year and not later than five years	443	537
Later than five years	897	1,105
	1,486	1,826

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £182,777 (£196,227 in 2009-10).

Council as Lessor

Finance leases

The Council has leased out a number of properties on finance leases with remaining lease terms of 60 years or more. In each case a premium was paid to the Council by the lessee in order to enter into the lease and there are no future minimum lease payments due.

Operating leases

The Council leases out property under operating leases primarily for the provision of social housing and community services such as sports facilities.

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

	2010-11	2009-10
	£'000	£'000
Not later than one year	4,667	4,780
Later than one year and not later than five years	20,724	20,782
Later than five years	305,162	308,908
	330,553	334,470

41. IMPAIRMENT LOSSES

There were no impairment losses in 2010-11.

42. TERMINATION BENEFITS

The authority terminated the contracts of a number of employees in 2010-11, incurring liabilities of £31,280 (£76,803 in 2009-10).

43. DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme administered by Surrey County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise 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:

Comprehensive Income and Expenditure Statement	**2010-11 £000**	**2009-10 £000**
Cost of services:		
Current service cost	3,827	2,245
Curtailments	32	9
Past Service Costs/(gain)	(18,340)	45
Financing and Investment Income and expenditure:		
Interest cost	8,822	7,840
Expected return on assets in the scheme	(7,444)	(4,662)
Total Post Employment Benefit charged to the deficit on the Provision of Services	(13,103)	5,477
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	13,103	(5,477)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	4,781	4,810

In addition to the recognised gains and losses included in the Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, actuarial gains of £8.1 million (actuarial losses of £27.8 million 2009-10) were included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £31.8million.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2010-11	2009-10
	£000	£000
Opening balance at 1 April	174,523	113,994
Current service cost	3,827	2,245
Interest cost	8,822	7,840
Contributions by scheme participants	1,401	1,415
Losses on Curtailments	32	9
Actuarial gains and losses	(10,916)	53,458
Benefits paid	(5,065)	(4,483)
Past service costs/(Gains)	(18,340)	45
Closing balance at 31 March	154,284	174,523

Reconciliation of fair value of the scheme assets:

	2010-11	2009-10
	£000	£000
Opening balance at 1 April	102,914	70,894
Expected rate of return	7,444	4,662
Actuarial gains and losses	(2,805)	25,675
Employer contributions	4,781	4,751
Contributions by scheme participants	1,401	1,415
Benefits paid	(5,065)	(4,483)
Closing balance at 31 March	108,670	102,914

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

The actual return on scheme assets in the year was £9.3 million (£30.3 million in 2009-10).

Scheme History

	2006/07	2007/08	2008/09	2009-10	2010-11
	£000	£000	£000	£000	£000
Present value of liabilities	(136,465)	(116,294)	(113,994)	(174,523)	(154,284)
Fair Value of Employer Assets	94,122	90547	70,894	102,914	108,670
Deficit in the scheme	(42,343)	(25,747)	(43,100)	(71,609)	(45,614)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £45.6 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £4,483,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels etc. The County Council fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The Actuary has prepared the figures by applying a 'roll-forward' approach to the last formal valuation, which was as at 31 March 2010.

The main financial assumptions used in their calculation have been:

	2010-11	2009-10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9 years	22.7 years
Women	24 years	26.1 years
Longevity at 65 for future pensioners:		
Men	23.9 years	24.8 years
Women	25.9 years	28.3 years
Rate of inflation/pension increase	2.8%	3.8%
Rate of increase in salaries	1.0%	1.8%
Expected return on assets	6.9%	7.2%
Discount rate	5.5%	5.5%

An allowance is included for future retirements to elect to take 25 per cent of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63 per cent of the maximum tax-free cash for post April 2008 service.

The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	2010-11	**2009-10**
Equities	76%	75%
Bonds	16%	17%
Property	5%	6%
Cash	3%	2%

History of experience Gains and Losses

The actuarial gains/(losses) identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2005/06	2006/07	2007/08	2008/09	2009-10	2010-11
	%	%	%	%	%	%
Experience gains and (losses) on assets	13.70	0.00	(13.30)	(40.00)	24.95	(2.58)
Experience gains and (losses) on liabilities	(0.09)	0.17	6.70	(0.01)	(0.02)	(5.90)

44. CONTINGENT LIABILITIES

An amount of up to £677,000 may be claimed by Municipal Mutual Insurance Ltd in relation to the company's liability for asbestos induced mesothelioma claims arising on the Council's liability account. The Insurance Reserve includes an amount towards any claim that may be made.

45. CONTINGENT ASSETS

There were no contingent assets as at 31 March 2011.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with the Revised Prudential Code of Capital Finance for Local Authorities.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks and the investment of surplus cash.

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.

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

Credit risk

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

The investment risk with Banks and financial institutions is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution.

Although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments were made in line with the Council's approved Treasury Management Strategy for 2010-11.

During 2010-11 conditions in the financial sector began to show signs of improvement, albeit with substantial intervention by government authorities. The Council therefore decided it would be appropriate to diversify the counterparty list through the inclusion of comparable non-UK Banks for investments. The sovereign states whose Banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the banks within them, were selected after analysis and careful monitoring of:

- credit ratings (minimum long-term A+ in accordance with CIPFA's lowest common denominator approach)
- credit default swaps
- GDP; Net Debt as a percentage of GDP
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution
- share price

Throughout 2010-11, the minimum criteria for new investments has been a long term rating of A+/A1/A+ (Fitch/Moody's/S&P) and a short term rating of F1/P-1/A-1 (Fitch/Moody's/S&P). An exposure limit of £10 million per counterparty was set.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2011

Counterparty	Long term Credit Rating - Fitch, S&P or Moody's equivalent	Balance invested as at 31 March 2011						Totals £000
		Up to 1 month £000	1 to 3 months £000	3 to 6 months £000	6 to 9 months £000	9 to 12 months £000	>24 months £000	
Term Deposits:	AAA	0	0	0	0	0	0	0
	AA+	0	0	0	0	0	0	0
	AA	0	0	0	0	0	0	0
	AA-	1,000	6,000	7,000	2,000	0	0	16,000
	A+	1,000	4,000	2,000	4,000	3,000	0	14,000
Money Market Funds	AAA	9,983	0	0	0	0	0	9,983
Call Accounts	A+	5,206	0	0	0	0	0	5,206
Supranational Bonds	AAA	0	0	0	0	0	14,404	14,404
Investment Funds	n/a	5,096	0	0	0	0	0	5,096
Total Investments		**22,285**	**10,000**	**9,000**	**6,000**	**3,000**	**14,404**	**64,689**

The above analysis shows that all deposits outstanding at 31 March 2011 met the Council's credit rating criteria when the investment was made and on 31 March 2011.

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. Of the total debt outstanding, £1.8 million relating to services that the Council has invoiced for is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than six months	1,342
Six months to one year	127
More than one year	363
	1,832

Liquidity risk
The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets, the Public Works Loans Board and other Local Authorities. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council took out long term borrowing in March 2011 from the PWLB and has an insignificant amount of short term borrowing. The maturity analysis of financial liabilities is as follows:

	31 March 2011 £'000	31 March 2010 £'000
Less than one year	0	0
Between one and two years	0	0
Between two and five years	0	0
Five to ten years	2,300	0
More than ten years	0	0
	2,300	**0**

The Council has to manage risk to ensure that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to carefully plan when new loans are taken out and making early repayments where financially advantageous.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

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

Market 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 example, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise (the Council had no variable rate borrowing at 31 March 2011)
- Borrowings at fixed rated – 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

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit on external debt that can be subject to variable interest rates. In relation to investments they are generally made at fixed rates, but for shorter periods of time, so there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be also be reflected in the Comprehensive Income and Expenditure

Statement.

If interest rates had been one percent higher (all other variables being constant) the Council would have received approximately £650,000 more in interest receipts on its investments.

HRA INCOME AND EXPENDITURE STATEMENT

2009-10 £000		NOTE	2010-11 £000
	Income		
	Gross Rent Income	1	
24,054	Dwellings		24,916
840	Non-dwellings		904
1,252	Charges for Services and Facilities		1,213
3,913	HRA Subsidy Receivable	10	3,973
842	Supporting People Grant		827
30,901	**Total Income**		**31,833**
	Expenditure		
4,042	Repairs and Maintenance		3,960
4,993	Supervision and Management		4,972
13,921	Negative HRA Subsidy Payable	10	14,550
324	Rent Rebates	2	420
60	Increased Provision for Bad or Doubtful Debts		65
17,946	Depreciation and Impairment	9	5,033
50	Debt Management Expenses		55
52	Other Expenditure		100
41,388	**Total Expenditure**		**29,155**
10,487	**Net Cost of HRA Services per Comprehensive Income & Expenditure Statement**		**(2,678)**
252	HRA Share of Corporate & Democratic Core		249
0	Exceptional items	5	59,997
10,739	**Net Cost of HRA Services**		**57,568**
405	Loss on sale of HRA fixed assets		(1,259)
(59)	HRA Investment Income		28
17	Interest payable		(74)
11,102	**Deficit for year on HRA services**		**56,263**

MOVEMENT ON THE HRA STATEMENT

2009-10 £000			2010-11 £000
1,900	Balance on the HRA at the end of the previous year		1,900
(11,102)	Deficit for the year on the HRA Income and Expenditure Account	(56,263)	
11,740	Adjustments between accounting basis and funding basis under statute (see note 8 to the Accounts)	59,165	
638	Net increase before transfers to reserves	2,902	
(638)	Transfers to reserves	(2,902)	
0	Increase or (decrease) in year on the HRA		**0**
1,900	Balance on the HRA at the end of the current year		1,900

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, voids amounted to £394,668 or 1.60 per cent of gross rent income from dwellings (£390,406 or 1.63 per cent for 2009-10). Average rents were £90.38 per week in 2010-11, an increase of £3.11 over the previous year.

2. Rent Rebates

Costs and associated subsidy transferred to the General Fund with effect from 1 April 2004. Rent rebate expenditure not eligible for subsidy due to average rents being above Government guideline rents remains chargeable to the HRA and was £419,854 in 2010-11.

3. Rent Arrears

At 31 March 2011, rent arrears were £1,047,395 (including £541,028 former tenant arrears) or 4.25 per cent of gross rent income. The comparable figures for 2009-10 were £1,033,811 (including £456,233 former tenant arrears) or 4.32 per cent of gross rent income. The provision for bad debts at 31 March 2011 was £326,211. The comparable figure for 2009-10 was £298,170.

Amounts written off in the year amounted to £36,959 (£13,671 in 2009-10).

Payments in advance amounted to £157,429 (£144,883 in 2009-10).

4. Housing Stock

The Council was responsible for managing on average 5,336 dwellings in 2010-11, analysed thus:

2009-10	Average	2010-11
2,664	Houses	2,655
2,348	Flats	2,326
355	Bungalows	355
5,367		**5,336**

2009-10		2010-11
5,375	Stock at 1 April	5,357
(15)	Less Sales	(14)
(3)	Other Adjustments	(30)
5,357	Stock at 31 March	**5,313**

5. Stock valuation – Balance Sheet Basis

The basis for the balance sheet valuation of the Council's housing stock is Existing Use Value – Social Housing (EUV – SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV – SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The valuation was carried out by Wilks Head and Eve, Chartered Surveyors. The date of the valuation was April 2010.

For 2010-11 the vacant possession adjustment factor has been reduced from 45 per cent to 32 per cent in accordance with guidance published in January 2011 by central government. This has resulted in a significant reduction in the balance sheet value of council dwellings, despite an increase in the vacant possession value.

The balance sheet value increases where new dwellings and properties are built or acquired and when capital works that improve or significantly enhance the value of the assets are carried out. The balance sheet value reduces when assets are sold and are written out of the accounts. Depreciation is charged on assets and this also reduced the balance sheet valuation.

Valuations for HRA assets are:

	1 April 2010 £000	1 April 2011 £000
Dwellings (valued at EUV - SH)	451,530	348,566
Other Operational Land and Buildings (valued at MV - EU)	3,756	3,698
Non Operational Land and Buildings (open market value)	0	0
Community Assets (historic cost)	142	149
Total HRA Assets	455,428	352,413

6. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at 1 April 2011 was £981 million. The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rent.

7. Major Repairs Reserve

The Major Repairs Reserve is a reserve established by the Government as part of the resources accounting system in the HRA. Movements in the Major Repairs Reserve during the year were:

2009-10 £000		2010-11 £000
0	**Opening Balance at 1 April**	0
3,913	Reversal of Major Repairs Allowance credit to the HRA	3,973
(3,913)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(3,973)
0	**Closing Balance at 31 March**	**0**

8. Capital expenditure and financing

The HRA capital expenditure in the year was financed as follows:

	Financing £000		Expenditure £000
Capital Receipts	455	Fixed Assets	4,503
Major Repairs Allowance	3,973	Revenue Expenditure Funded from Capital under Statute	765
Reserve for Future Capital	431		
Grants and contributions	371		
Direct Revenue Financing	38		
	5,268		**5,268**

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £2.152 million.

9. Depreciation

The charges for depreciation for the houses and other property within the HRA for the year are as follows:

	£000
Dwellings	4,980
Other Operational Land and Buildings	53
Total HRA Assets	5,033

The depreciation amount has been calculated by the straight line method and has not been charged on investment properties or on non operational housing assets.

10. Housing Revenue Account Subsidy

HRA Subsidy is calculated in accordance with the determinations made by the Government under Section 80 of the Local Government and Housing Act 1989. It is calculated by reference to a notional account broadly comprising notional expenditure on management and maintenance and capital charges together with notional income from rents and other receipts. HRA subsidy represents the difference between notional costs and income and therefore some of the amounts involved are different to those recorded in the actual HRA.

The audit of the 2009-10 subsidy calculation resulted in a decreased subsidy entitlement of £39,556 over that provided for in the 2009-10 accounts. A summary of the notional HRA for 2010-11 (being subject to adjustment on audit) is set out as follows:

2009-10 £000		2010-11 £000
8,453	Management & Maintenance Allowance	8,647
	Rent Rebates eligible for subsidy	
133	Other eligible expenditure and allowances	129
8,586	**Total Eligible Expenditure**	**8,776**
22,499	Notional Rent Income	23,247
1	Other eligible income	0
22,500	**Total Eligible Income**	**23,247**
(7)	Adjustment to claim after audit	(39)
(13,921)	**Negative HRA Subsidy Payable**	**(14,510)**
3,913	HRA Subsidy Receivable (Major Repair Allowance)	3,973
(10,008)	**Net Subsidy Payable**	**(10,537)**

11. Interest charge to HRA (Item 8 Debit)

The interest charge payable by the HRA for the year is £28,285. The charge is calculated by applying the average seven day interest rate of 0.43 per cent to the HRA capital financing requirement.

12. Contributions to/from the Pensions Reserve

The HRA share of the contributions to the Pensions Reserve are as follows:

2009/10 £000		2010/11 £000
385	Reversal of items relating to retirement benefits debited to the HRA	359
(718)	Employer's pensions contributions and direct payments to pensioners payable in the year	(526)
(333)	**Contribution to the Pensions Reserve**	**(167)**

COLLECTION FUND

2009-10 £000		£000	2010-11 £000
	Income		
75,739	Income from Business Ratepayers - Note 2		72,059
75,878	Council Taxes		77,736
6,326	Council Tax Benefit		6,743
986	Collection of prior year estimated deficit		0
158,929			**156,538**
	Expenditure		
	Precepts		
61,713	Surrey County Council	63,764	
10,984	Surrey Police Authority	11,340	
9,262	Guildford Borough Council	9,503	
81,959			**84,607**
75,296	Contribution to NNDR National Pool		71,526
255	Payment to General Fund for collecting NNDR		245
288	Provision for bad and doubtful debts		288
0	Distribution of prior year estimated surplus		106
157,798			**156,772**
1,131	Surplus/(deficit) for year		**(234)**
	Collection Fund Balance		
(884)	Balance at the beginning of the year		247
1,131	Surplus/(deficit) for the year		(234)
247	**Balance at the end of the year**		**13**

NOTES TO THE COLLECTION FUND

1. General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are prepared on an accruals basis, and from 2009-10 they are consolidated with the other accounts of the Council on an agency basis.

2. Income from Business Rates

Under the current arrangements for National Non- Domestic Rates (NNDR), the Council collects non-domestic rates for its area. These rates are based on local rateable values (£196,679,164 as at 31 March 2011) multiplied by a uniform rate (41.4p standard and 40.7p small business rate in 2010-11). The total amount collectable, less an allowance for the cost of collection is paid to a Central Pool (the NNDR pool), which is managed by Central Government.

3. Income from National Non-Domestic Rate Pool

Having received the national non-domestic rates from all authorities, Central Government pays back a share of the pool based on a standard amount per head for the local resident population (£7,424,562 for 2010-11). This is paid directly into the Council's General Fund.

4. Income from Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
Dis A	3.50	5/9	1.94
A	631.75	6/9	421.17
B	2,544.00	7/9	1,978.67
C	9,431.00	8/9	8,383.11
D	13,480.25	9/9	13,480.25
E	8,647.00	11/9	10,568.56
F	5,797.75	13/9	8,374.53
G	6,713.75	15/9	11,189.59
H	1,431.00	18/9	2,862.00
	48,680.00		**57,259.81**
Plus adjustment for MoD properties and collection rates offset by anticipated changes during the year for successful appeals against valuation banding, new properties,demolitions, disabled person's relief and exempt properties			(141.78)
			57,118.03

5. Council Tax Bad Debt Provision

The movement of the provision during the year was as follows:

	£'000
Balance at 1.4.2010	346
Transfer from revenue	0
Write offs	(89)
Balance at 31.3.2011	**257**

CLLR TERENCE PATRICK

Mayor and Chairman of the Council meeting approving the accounts

27 September 2011

GUILDFORD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT

(Agreed by the Executive 16 June 2011)

1. SCOPE OF RESPONSIBILITY

1.1. Guildford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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.

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.

1.3. The Council has approved and adopted a code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework of Corporate Governance in Local Government introduced in 2007. A copy of the code is on the website at www.guildford.gov.uk or can be obtained from Corporate Development Services, Millmead House, Millmead, Guildford, Surrey, GU2 4BB (tel. (01483) 444854).

1.4. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 in relation to the statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1. The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. 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, cost effective services.

2.2. 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 the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.

2.3. The governance framework has been in place for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

3. GOVERNANCE FRAMEWORK

3.1. The Council is a complex organisation with an appropriately comprehensive Governance Framework which works in a dynamic environment and keeps its processes under constant review.

3.2. **Strategic Framework and Performance Management**

The Governance arrangements start with the Strategic Framework, which sets out the Vision and Mission and establishes the Council's Key Delivery Targets. The Strategic Framework in operation throughout 2010-11 was approved in May 2008 with Key Delivery Targets set for the period 2008-09 until the end of 2011. A new Corporate Plan is being developed for adoption in 2011-12.

3.3. In parallel, the Council has introduced a process for the development of consistent service plans for all services. These include performance targets both at an individual and service level and project milestones based on the new Strategic Framework. There is a clear link between service delivery and the Council's corporate objectives. Progress against the objectives in the service plans is monitored quarterly through regular reports to Management Team.

3.4. The Council has had a robust performance management system for many years and new performance software was introduced in 2007-08. This was further developed during 2010-11 to include progress reports on national and local performance indicators, links to individual service improvement plans, Key Delivery Targets and the Council's Risk Management system. Further developments have been made to the system in response to changes made in the reporting of national indicators.

3.5. The system provides the reports on performance for Management Team and Councillors and is available to view through the Council's Intranet.

3.6. The Council has always scored well under the Audit Commission's annual assessment of Value for Money. The Council's approach to value for money has been enhanced in 2010-11 through the adoption of a Lean Management Programme to improve services and reduce costs.

3.7. **The Constitution**

The Council has a comprehensive Constitution that covers the roles and responsibilities of both Councillors and officers. The Constitution is kept under continuous review with amendments agreed and issued throughout the year to ensure that it remains relevant to the objectives contained in the Strategic Framework.

3.8. **Forward Plan and Committee Decisions**

The Council uses the Shikari system to manage the work programme and decisions of its Committees and the Executive. The system provides automated reminders regarding forthcoming reports and monitors progress on Council decisions.

3.9. **Standards and Audit Committee**

The Council has a single committee for Standards and Audit that combines the functions of two previously independent committees. In line with best practice the Standards and Audit Committee will submit a report to Council on the work carried out by the Committee in 2010-11. A regular reporting process has also been introduced to advise the Committee of progress against agreed internal audit recommendations and other governance issues such as equalities, risk management, health and safety, business recovery and data quality.

3.10. **Compliance with Laws and Regulations**

The Council employs appropriate professional staff in relevant fields to provide guidance and advice as required. Part of their role is to ensure that the actions of the Council and individual Councillors and officers comply with relevant laws and regulations, as well as the Council's own policies and procedures. During 2010-11 the Council put in place a programme of continued review to ensure policies comply with employment law. There is also an established programme of regular updates for managers on HR law.

3.11. Reports to the Executive are reviewed by the Management Team, which includes the S.151 Officer. In addition, the Council has comprehensive Financial Procedure Rules and Procurement Procedure Rules as part of the Constitution that provide guidance on spending decisions to ensure that expenditure is lawful and properly controlled.

3.12. In 2008-09 the Council was assessed at Level 1 of the Equalities and Diversity Standard. The Council recognised that further work was required and achieved Level 3 of the Equalities Framework in 2009-10. We are continuing to improve our performance and equalities are an integral part of the Customer Service Excellence project due to be completed in September 2011.

3.13. In 2010-11 we reviewed our processes to ensure that we comply with the Bribery Act that will come into force in July 2011. We have carried out an assessment to identify areas of highest risk and these will be reviewed as part of the audit plan for 2011-12.

3.14. **Whistleblowing and Complaints**

The Council has a Whistleblowing policy as part of its Constitution. All managers have received guidance in how this should be applied.

3.15. The Council has revised its Complaints Policy after recent indications that there were some variations in how this is applied across the organisation. The Council is committed to achieving Customer Service Excellence across the organisation and the improvements to the complaints procedure have been considered as part of the overall project. A new corporate complaints database has been designed and was introduced in September 2010 with further improvements in February 2011.

3.16. **Development of Councillors and Senior Officers**

All officers (including Senior Officers) have two appraisals a year and a series of one to one meetings with their line manager. Part of this process is to identify individual development and training requirements, which are part of the Council's overall training, plan.

3.17. All Councillors are offered the opportunity for individual training plans based on an assessment of their needs, taking consideration of their role in the Council and previous training and experience. The plans include personalised training opportunities dependent upon the Councillor's preferred method of training.

3.18. Training is offered through a range of options and this covers a variety of subjects such as Ethical Standards, Planning, Licensing, Media and time management.

3.19. **Communication, Consultation and Accountability**

The Council has a well-established process to manage effective communication with residents and stakeholders. All households received six editions of About Guildford in 2010-11 to provide an update on the Council's activities and performance. This will reduce to four editions a year in 2011-12 in accordance with new government requirements.

3.20. In addition, individual services produce their own publications for residents and customers to provide information and education (i.e. to encourage behaviour changes in matters such as recycling and litter).

3.21. The Council has a corporate identity used to brand communications and services. This helps customers and taxpayers to understand which services we provide and therefore what we are responsible for.

3.22. In May 2010 the Council launched a new website which continues to be developed. It has improved access to Council services and provides a greater range of options and channels for communication with residents. The aim is to use the web as channel for two-way communication though online consultation and forums where appropriate. In addition the Council now uses other social media such as Twitter and Facebook to communicate with residents.

3.24 As a Council we realise the importance of consultation with our residents and community. We already consult widely in line with our Consultation Strategy using for example, publications, surveys, and focus groups but we recognise the need for greater engagement and involvement with residents and stakeholders in our strategic decision making and service delivery. Many of our services actively consult with the community as an integral part of their service delivery. However, our community is changing and we need to be responsive to their developing needs. We plan to achieve this through the development of the Community Engagement Strategy and through the work we are currently doing to achieve the Customer Service Excellence Standard in 2011-12.

3.25 Partnerships

Partnership arrangements are becoming increasingly important for all local authorities. The Council's Mission Statement reflects this with reference to the provision of first class services through partnership working. The Council already has a number of partnerships, of varying significance. There are examples of best practice in major partnerships such as the Surrey Strategic Waste Partnership and Choice-Based Lettings. In 2010-11 the LSP improved working practices by introducing a performance management framework and all partners carried out a self-assessment to identify how they understand local needs, how these are translated into local priorities and how they identify prospects for future improvement. However, the Council needs to establish a partnership performance management framework to establish key objectives and monitor, evaluate and report on performance across the all our major partnerships.

4. REVIEW OF EFFECTIVENESS

4.1. Internal Audit has conducted an ongoing review of the Council's Corporate Governance processes. Audits have been undertaken according to the annual Audit Plan, which was approved by the Management Team and the Standards and Audit Committee. The Audit Plan is based on a risk assessment that provides guidance as to the frequency of audits. It is also divided over four main themes (Financial Control, Asset Management, Management Control and ICT) specifically to address the main concerns of corporate governance.

4.2. During 2010-11, the planning process was reviewed to ensure the audit plan remains relevant and all of the risk assessments were re-scored to provide an up to date risk score for all auditable areas.

4.3. Internal Audit has produced an overall report on Corporate Governance. It has also undertaken an assessment of corporate governance against CIPFA guidelines and reviewed the standards of internal control including risk and performance management. The overall conclusion is that the system of Internal Control at Guildford Borough Council for the period to 31 March 2011 was sound. An action plan has been produced to address areas identified for improvement.

4.4. All of this activity has been used to inform the Annual Corporate Governance Statement.

4.5. In 2009-10, Councillors and officers reviewed the operation of the Scrutiny Committees in order to improve the effectiveness of the Council's overview and scrutiny function and to address the new scrutiny provisions. The two Scrutiny Committees are:

- Corporate Improvement Scrutiny Committee - to lead on functions concerned with the management of the Council's resources, internal services and overall improvement programme.
- Customer and Community Scrutiny Committee – to lead on functions which have a direct impact on the Council's customers and local communities.

4.6. The Standards and Audit Committee received reports on progress against the activities and findings of Internal Audit, risk management, health and safety, business recovery, data quality, Ombudsman complaints and progress against audit recommendations. In addition they commissioned a report on the Council's arrangements to comply with the International Financial Reporting Standards (IFRS) for the 2010-11 accounts. This Committee has also received interim and annual reports from the Audit Commission, the Council's external auditors.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1. In 2010-11 there was a governance issue that related to a challenge to the 2008-09 accounts. The complaint referred to the legality of how the Hackney Carriage and Private Hire Licence Fee had been set. The Council investigated and found that we had not complied fully with the legislation. The complaint highlighted the need for better quality control with clear procedure notes for staff. A compliance audit was carried out to ensure that we are complying correctly with our legal requirements in relation to setting other fees and charges.

5.2. This year has seen continuing improvement in the Council's overall governance arrangements. Where the need for further improvement is identified we will take the necessary action to implement changes that will further develop our governance framework.

5.3. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:
………..................……………………………………………………………………
LEADER OF THE COUNCIL ON BEHALF OF GUILDFORD BOROUGH COUNCIL

SIGNED:
………………………………………………………………………………………
CHIEF EXECUTIVE ON BEHALF OF GUILDFORD BOROUGH COUNCIL