GUILDFORD BOROUGH

Guildford Borough Council Statement of Accounts 2015-16 (unaudited)

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

To follow

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer.
- 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 Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

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 presents a true and fair view of the financial position of Guildford Borough Council at 31 March 2016 and of its income and expenditure for the year ended 31 March 2016.

S I Sturgeon

Sue Sturgeon, CPFA
Chief Financial Officer
30 June 2016

CHIEF FINANCIAL OFFICER'S NARRATIVE REPORT

Financial Performance during the year – General Fund Revenue

I have pleasure in presenting the Council's Statement of Accounts for the financial year 2015-16. The overall financial climate continues to be difficult and is likely to remain so for a number of years. Local Government will continue to play its part in helping to address the national funding deficit, and each Council will be required to contribute accordingly by continuing to deliver services with fewer resources. Guildford Borough Council has continued to maintain its focus on robust planning and monitoring of the budget and identification of efficiency savings for the future.

The reduction in the Council's settlement funding assessment for 2015-16 from Central Government was 15% (£832,000). This followed grant reductions of 15.2% in 2011-12, 12.6% in 2012-13, 6.6% in 2013-14 and 13% in 2014-15.

The budget for 2015-16 included investment in services of £977,850 to support the delivery of the Corporate Plan.

Given the cuts in central government funding, we identified £932,460 savings through our business planning process in order to finance the service improvements and £1,010,450 of additional service income to achieve a balanced budget.

The additional income was generated from acquisitions of investment property as part of our asset investment strategy. The acquisitions resulted in additional rent income to the general fund. The Council also increased its planning fee income due to an increase in applications.

The net budget requirement for the year 2015-16 was set in February 2015 at £43,493,621, an increase of £1.6 million from the Council's 2014-15 net budget requirement of £41,827,799. 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 revenue support grant, business rates and adjustments relating to the collection fund balance.

The net budget figure above excludes the precept requirements of the Parish Councils, which was £1,406,405 (2014-15 precept requirements were £1,260,607, an increase of 11.6%). The Borough Council's band D council tax was set at £151.82, an increase of 1.5% from 2014-15. The report to Council on 11 February 2015, (Item 14) available on the Council's website provides further details about the Council's budget for 2015-16.

We monitored performance against the budget closely through the year with particular attention paid to our key services (Development Control, Planning Policy, Industrial Estates, Investment Property, Leisure Management, Off Street Parking, Parks and Countryside and Refuse and Recycling), control of salaries and achievement of the efficiency savings included in the budget. Because of this strong financial management net expenditure at service unit level was £1.517million lower than originally budgeted, after allowing for accounting adjustments and other items that do not impact on the level of council tax. This is around 1.59% of the total relevant gross expenditure budgets.

The Final Accounts report to the Executive on 28 June 2016 (Item 5) available on the Council's website, gives a detailed analysis of the variances in service expenditure.

The Council receives investment income from our cash backed reserves. As at 31 March 2016, we had around £144 million invested. Overall, net interest returns in the year were approximately £506,000 more than anticipated at £1,098,000. The Treasury Management Annual Report reported to Executive on 28 June 2016 (Item 7), available on the Council's website provides further information about the Council's investment and borrowing activity during the year and our performance against our prudential indicators.

In setting the 2015-16 budget, a minimum revenue provision of £506,000 was assumed, based on the expected General Fund Capital Financing Requirement (CFR) at 31 March 2015 of £31.6 million. The actual General Fund CFR at March 2015 was £30.3 million, generating a minimum revenue provision of £294,546, which is approximately £212,000 less than budgeted.

Overall the net expenditure on the General Fund was lower than the original estimate to the value of £2.249 million. This has been utilised by the following contributions to reserve:

Item	Description	£000
1.	**Project Aspire.** At its meeting on 24 November 2015 the Executive decided that a contribution of £100,000 to the Project Aspire reserve should be made from the 2015-16 balance on the General Fund, subject to the final position on the accounts.	100
2.	**Capital movements reserve**. Some of our investments produce an excellent return in interest terms, but their capital value is volatile. This movement in capital value is held on the balance sheet until the investment is sold. Whilst we would not normally choose to sell an investment that is showing a capital loss there may be times when this is necessary and so we have a reserve to allow the revenue account to be compensated. Officers recommend a contribution of £191,000 based on the current levels of capital value.	191
3.	**IT renewals reserve**. As part of the transformation of our services, it will be necessary to invest heavily in new technology. A contribution to the IT renewals reserve of £500,000 is recommended to allow this investment.	500
4.	**Invest to save reserve**. This reserve has proved invaluable in allowing the council to transform and change its services. The reserve is used to provide initial up front funding required for projects that will generate savings and additional income. In future budgets, this will become even more important and officers recommend a contribution of £300,000, to take the uncommitted balance on the reserve to approximately £1.5 million.	300
5.	**Capital programme reserve**. The Council has an ambitious capital programme and a significant borrowing requirement in future years. The suggested contribution of £458,000 will reduce the need for external borrowing and delay the point at which we will need to take on borrowing. This in turn will reduce the minimum revenue provision payment from the general fund	458

Item	Description	£000
	revenue account.	
6.	**Council Governance Reserve.** The Council has received a valid petition to change its governance structure to an elected mayor. We will hold the required referendum on 13 October 2016. Officers propose setting up a new reserve to set aside monies for the estimated cost of a referendum (£130,000) and a possible election in May 2017 should the referendum result require one.	200
7.	**Budget pressure reserve**. This was a new reserve set up as part of closing the 2014-15 account and it has proved invaluable in managing the budget through the year. A contribution of £500,000 is recommended.	500
		2,249

During the year we closed two reserves, relating to armed forces day and the revenues automation project.

Financial Performance during the year - Capital Expenditure

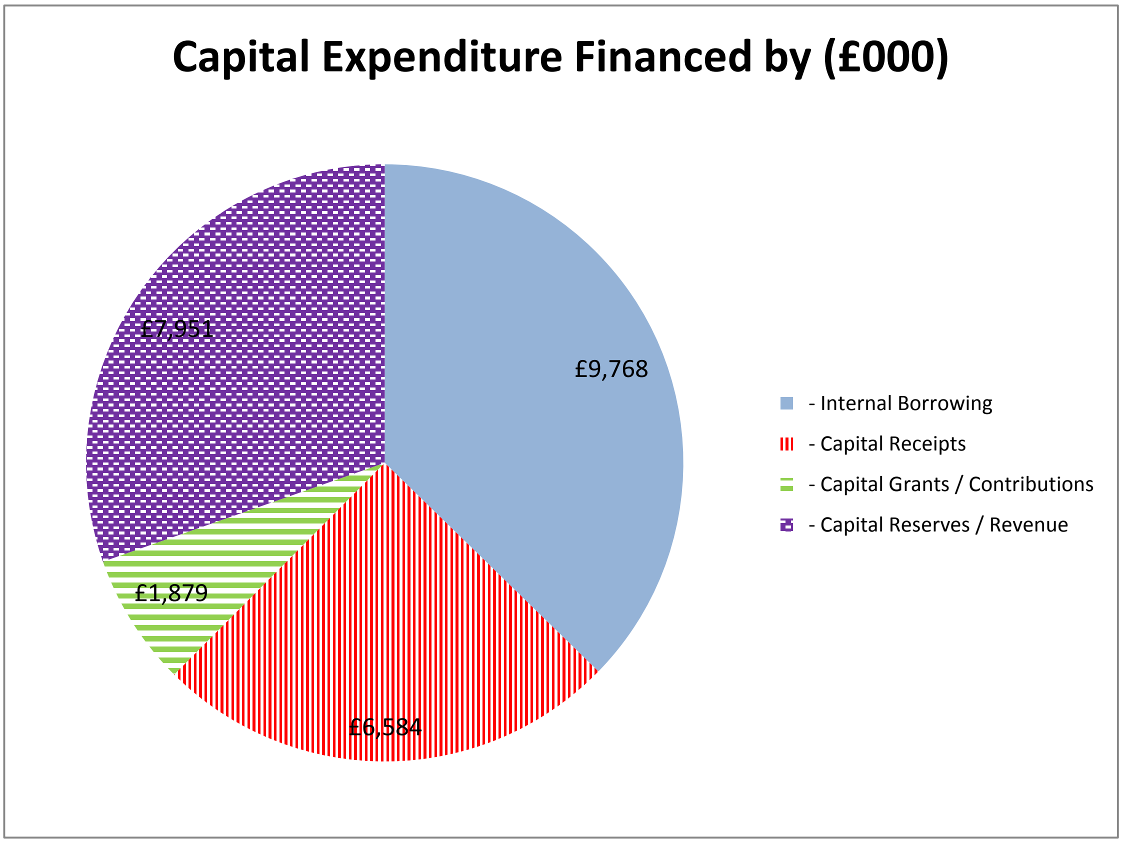
Capital expenditure in the year totalled £26.182 million. The major areas of capital spend are shown in the table below:

Projects	Original Estimate (£'000)	Actual (£'000)	Variance (£'000)
Housing Revenue Account			
HRA Capital Programme	15,972	7,635	(8,337)
Total Housing	**15,972**	**7,635**	**(8,337)**
General Fund			
Affordable Housing	1,355	932	(423)
Investment in Millmead improvements	1,971	3,244	1,273
SARP	112	1	(111)
Asset investment fund	18,000	9,692	(8,308)
North Street development	331	0	(331)
Vehicle replacement	630	1,136	506
Spectrum Roof & CHP	3,638	30	(3,608)
Riverside Route Ph1	708	115	(593)
Provisional schemes	33,043	37	(33,006)
Energy schemes	304	151	(153)
IT renewals	515	743	228
Schemes at Spectrum	243	0	(243)
Other General Fund Projects	3,279	2,466	(813)
Total General Fund	**64,129**	**18,547**	**(45,582)**
Total Capital Programme	**80,101**	**26,182**	**(53,919)**

A projected General Fund capital spend of £27.4 million, HRA capital spend of £10.1 million, and reasons for the underspend compared to original estimate were reported to Corporate Governance and Standards on 31 March 2016 (Item 7).

During the year we acquired the freehold of an investment property for £3.0 million and bought back the long leases on three other investment properties for £6.5 million. The acquisitions were purchased from the Asset Investment Fund.

The capital expenditure was financed by utilising the following resources:



We only financed £16.4 million of our capital expenditure from existing resources, resulting in an increase to our Capital Financing Requirement, funded by internal borrowing, of £9.8 million.

Internal sources of funds available at 31 March 2016 to meet future capital expenditure are:

- General Fund capital programme reserve £0.6 million
- HRA usable capital receipts £27.2 million
- HRA capital programme reserve £25.8 million
- HRA new build reserve £29.4 million
- HRA Major Repairs Reserve £3.5 million

Financial Performance during the year - Treasury Management

Our treasury management annual report was presented to Executive on 28 June 2016 (Item 7), and is available on our website. The principal value of Investments at 31 March 2016 totalled £144.78 million made up as follows:

Investment details	Book cost of Investments at 31-03-16 £m
Internally Managed Investments	
Fixed Investments < 1 year to cover cash flow	47.00
Corporate bonds	7.57
Certificates of deposit	9.00
Notice Accounts	22.00
Call Accounts	3.05
Money Market Funds	9.74
Long term investments > 1 year	24.89
Externally Managed Funds	
Payden & Rygel	5.00
Funding circle	0.65
CCLA	6.55
SWIP	1.80
M&G	2.03
Schroders	0.82
UBS	2.35
City Financials	2.34
TOTAL	**144.78**

The book cost of investments is the amount of cash receivable if the investments were to be sold on 31st March 2016. The book cost is different to the amounts shown in note 29 of the financial statements where the investments are shown in accordance with IFRS 13 Fair Value Measurement. Gross interest received in the year from investments was £1.79 million against a budget of £1.3 million.

We took out external loans totalling £24.2 million during the course of the year, of which £5 million was to finance capital expenditure and £19.5 million was for cash-flow purposes. The principal balance outstanding on our external loans at 31 March 2016 was £238.085 million.

The investment markets remained extremely challenging; the Bank of England held the base rate at 0.50% and the Council continued its focus on preserving capital whilst optimising interest earnings.

Explanation of Key Information contained in the Financial Statements

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). International Financial Reporting Standards (IFRS) form the basis for the Code, which 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). The Code constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

The complete set of financial statements is set out on the following pages. The Code prescribes the order of presentation of the financial statements and the Statement of Accounting Policies supports the accounts by explaining the policies used in their preparation. In summary, the financial statements comprise the:

- Movement in Reserves statement (MIRS): showing the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that we can use to finance expenditure or reduce local taxation) and other reserves. This statement starts with 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 transfers we choose to make to or from earmarked reserves
- Comprehensive Income and Expenditure Statement (CIES): 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 statement shows the total expenditure and income in the year for all services
- Balance Sheet: showing the value of the Council's assets and liabilities at 31 March 2016. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council
- Cash Flow Statement: showing the changes in the amount of cash and cash equivalents during the financial year. 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. We have split these notes into normal and accounting technical notes to aid the readability of the financial statements for users
- Housing Revenue Account Income and Expenditure statement: 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: giving explanatory information to the HRA Income and Expenditure statement
- 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: giving explanatory information to the Collection Fund revenue account

Income and Expenditure Statement (CIES)

The surplus on provision of services was £10 million. This was the net total of a surplus on the HRA of £14.8 million, and a deficit on the General Fund of £4.8 million.

Total comprehensive income and expenditure was £67 million, compared to £75 million in 2014-15. The reduction was primarily due to smaller gains from the increase in value of the Council's property portfolio, partly offset by a gain from the re-measurement of the pension liability replacing a loss in 2014-15.

Movement in Reserves Statement

The MIRS shows that the deficit of £4.8 million and surplus of £14.8 million are added to the General Fund and HRA balances respectively, but that £9.3 million is added to the General Fund and £3.9 million is reversed back out of the HRA and transferred to useable and unusable reserves as a result of adjustments made under statutory regulations.

£4.5 million is then transferred to General Fund earmarked reserves, and £10.9 million to HRA earmarked reserves, to leave the General Fund and HRA revenue balances at £3.7 and £2.5 million respectively.

Balance Sheet

The Balance Sheet shows that our long term assets have increased in value during the year by 8.5% from £751 million to £815 million. This is due to a £29 million increase in value of the Council's property portfolio (primarily council dwellings) on revaluation during the year, £11.4 million additions to the Council's operational property, £2.4 million additions to assets under construction, £9.8 million acquisitions and £1.3 million revaluation of investment property, and an increase in long-term investments of £16.9 million. Current assets have increased by 14% from £112 million to £128 million, mainly due to an increase in investments (including those classified as cash equivalents) from £106 million to £121 million. After our liabilities are taken into account, our net assets have increased by 13% from £530 million to £597 million. This is matched by an increase in our unusable reserves of £53 million, and an increase in our usable earmarked reserves of £14 million.

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.

During 2013-14 the pension fund actuaries, Hymans Robertson LLP, completed a triennial review of the fund at 31 March 2013. 2015-16 was the second year of implementation. The valuation results maintained the use of a stabilisation model which enabled the Council to maintain its employer's contribution rate at 14.6% over the three year period 2014-15 to 2016-17. The actuaries are currently conducting the triennial valuation of the fund as at 31st March 2016, we anticipate reporting the results of the valuation to the Corporate Governance and Standards Committee in January 2017.

The Council accounts for pension costs, in its financial statements, 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 affecting council tax and housing rent levels, which are based on the cash payable in the year. The accounts include an adjustment for the difference in the form of a transfer to or from a statutory pensions reserve.

The accounts, based on IAS 19, show a total pension fund liability of £76.4 million (£95.1 million in 2014-15) which has a substantial impact on the net worth of the authority as recorded in the balance sheet. The position, as valued by IAS 19 differs to that reported as part of the triennial valuation principally because the accounting standard requires that the discount rate is set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such the IAS 19 valuation of the Fund is unlikely to reflect the eventual cost of providing the benefits and does not affect the level of contributions to the fund from either the employees or the Council. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by 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 actuaries' financial assumptions.

Reserves, Balances and Provisions
We are not required to include a full list of reserves and balances in the Statement of Accounts, however we included one in the Final Accounts report to the Executive on 28 June 2016 (Item 5). Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 13 to the accounts. We have set up new reserves during the year as detailed above.

We increased the provision in respect of the Council's share of the estimated reduction in business rates collectable due to rating appeals by £6.3 million, £0.8 million of appeals were charged to the provision in year (see below).

We maintain a bad debt provision at a suitable level including sufficient provision to meet all likely non-collectable local taxation.

Collection Fund

We maintained a high level of collection performance for both Council Tax and Business Rates in the year. The council tax collectable debit for 2015-16 was approximately £90 million and 99.32% had been collected by 31 March 2016. At the same time, 99.48% of the collectable debit for non domestic rates (£81.8 million) had been collected. These are the highest collection rates in the Council's history.

We had anticipated a reduction in collection rates following the introduction of the Local Council Tax Support Scheme (LCTSS) however, this has not happened and collection rates have remained high.

Business Rates Retention Scheme
The Business Rates Retention Scheme (BRRS) allows the Council to benefit financially from any above inflation growth achieved in the level of business rates in our area, but the Government also transferred the risk of a fall in business rates to us and the rate in the pound levied is still controlled by the Government. The BRRS starts with the Government's assumption of the level of Business Rates nationally and sets an amount known as the NDR Baseline. For Guildford the NDR Baseline was set at £30.7million. The Government assessed our baseline funding level at £2.657 million, the difference (£28.06 million) was paid to the Government as a tariff. If Guildford's actual business rate income is higher than the NDR Baseline then the Council pays a levy of 50% of the additional income to central Government.

When we set our 2015-16 budget, we projected the business rate income we would receive and provided this estimate to the government in our NNDR 1 return. At the end of the year, we update the data based on actual income and inform the government in our NNDR 3 return.

The amount we recognise in the Income and Expenditure Statement for business rate income for 2015-16 is the amount we projected on the NNDR1 return, ie, our budgeted amount; however, the amount we actually received (and reported on our NNDR3 return) is recognised in the Collection Fund. The government has legislated that local authorities reverse the impact on the general fund of any difference in business rate income through the surplus/deficit on the Collection Fund and an adjustment to the Collection Fund Adjustment Account on the Movement in Reserves Statement. The difference between what we estimated and received therefore forms part of the surplus or deficit on the Collection Fund and will be taken into account in setting the budget for 2017-18.

The table below shows the difference between the actual and estimated income from business rates and the resulting impact on the levy payment:

	2015-16 Estimate £000	2015-16 Actual £000	2015-16 Variance £000
BRRS - tariff	28,060	28,060	0
BRRS - levy	879	112	(767)
BRRS - s31 grant	(643)	(694)	(51)
Business Rates equalistion reserve	1,847	2,665	818
	30,143	30,143	0
BRRS - retained income	(32,067)	(32,067)	0
BRRS - net position	(1,924)	(1,924)	0

We have accrued for the levy payment in our Income and Expenditure Statement for 2015-16. The Council's current policy is to transfer its share of the levy to the business rates equalisation reserve to help smooth the volatility in income from business rates under the BRRS and to help us manage the fluctuations in our business rate income that will occur as we carry out our development plans for the town centre. The reduction in the levy payment for 2015-16 comes about because of an increase in the provision for appeals made against business rates. This results in a deficit on the Collection Fund that, if all the appeals are successful, will fall as a cost to the General Fund revenue account in 2017-18. By increasing the contribution to the business rates reserve this year, we will be able to mitigate any cost in 2017-18.

The provision for appeals is an allowance for reductions in business rates payable because of appeals made by the rate payer to the Valuation Office (VO) in 2015-16. We have no control over these appeals or the timescale within which they are heard. The Council has calculated a total provision of £13.7 million for appeals is required as at 31 March 2016, of which the Council's share is £5.482 million (40%). This is a total increase of £6.3million (Council's 40% share, £2.5million) from the amount recognised at 31 March 2015. The increase is due to appeals made during 2015-16, on-going provision made in previous years for appeals that have yet to be resolved, and appeals made by modern GP surgeries following a successful tribunal appeal during 2014-15. The inclusion of the appeals provision in our Collection Fund has resulted in a deficit on the Collection Fund in relation to Business Rates of £10.1 million.

Housing Revenue Account (HRA)

The Statement of Accounts contains details of the HRA income and expenditure, which is ringfenced from the General Fund. We reported the HRA outturn to the Executive on 28 June 2016 and the report is available on the Council's web site, www.guildford.gov.uk at (Item 6).

The table below shows the main variances between the budgeted and actual operating surplus for 2015-16 under the key headings.

Housing Revenue Account	2015-16 Budget	2015-16 Actual	Variance
	£000	£000	£000
Rental Income	(31,059)	(30,998)	61
Other Income	(1,577)	(1,595)	(18)
Total income	**(32,636)**	**(32,593)**	**43**
Expenditure on Housing Services	10,227	9,889	(338)
Depreciation	5,678	6,438	760
Revaluation	0	(1,157)	(1,157)
Other expenditure	785	482	(303)
Interest payable and receivable	4,991	4,840	(151)
Surplus for the year	**(10,955)**	**(12,101)**	**(1,146)**
HRA balance brought forward	(2,500)	(2,500)	0
Surplus for the year	(10,955)	(12,101)	(1,146)
Transfers to other reserves	10,955	12,101	**1,146**
HRA balance carried forward	**(2,500)**	**(2,500)**	**0**

At year-end we transferred £2.5 million to the reserve for future capital programmes and £8.43 million to the new build reserve. The surplus on revaluation was transferred to the capital adjustment account in line with the CIPFA code of practice. The HRA working balance at year-end remains at £2.5 million.

The income budget was prepared using the Government's guidance on rent increases of RPI plus 0.5% and introduced a local rent convergence policy. This resulted in an average rent increase of 2.78% and an average actual rent of £112.51 per week.

Rental income was £61,000 (0.2%) lower than estimated. This is the result of a higher than anticipated number of right to buy completions and the profiling of new build units coming on stream.
Expenditure on employees and utilities was lower than estimated contributing to the overall reduced expenditure on Housing Services.

Lower than budgeted interest rates have resulted in a £77,000 reduced interest payable charge on the variable rate element of the loan portfolio financing the HRA. In addition, increased investment income of £73,000 arose from higher than profiled reserves.

The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward a number of development opportunities. In 2015-16 the Council used a combination of useable capital one-for-one receipts and Homes & Communities Agency (HCA) grants to finance capital expenditure on our new build programme at Lakeside Close (Ash), New Road (Gomshall), and the former Appletree Pub (Park Barn).

Other Performance during the year

Performance management is a key part of delivering successful services and performance indicators help the Council define and measure progress towards our strategic priorities. Individual service and project managers collect and monitor key performance information. In addition, 18 key corporate performance indicators are collected by the authority each year and benchmarked across the Surrey District Councils. The benchmarking reports are presented to the Surrey Chief Executives group each year. Guildford's performance against the 18 key performance indicators is as follows:-

Indicator	**2014-15**	**2015-16**
1. Council Tax Collected	99.13%	99.32%
2. NNDR Collected	99.27%	99.48%
3. Invoices paid on time	93.14%	97.90%
4. Benefit Overpayments recovered	£1,852,624	£1,991.08
5. Processing of 'major' planning applications within 13 weeks	87.5%	86.67%
6. Processing of 'minor' planning applications within 8 weeks	68.98%	69.44%
7. Processing of 'other' applications within 8 weeks	79.96%	74.48%
8. Appeals dismissed against the Council's refusal of planning permission	74.00%	69.29%
9. Number of Households living in temporary accommodation	34	46
10. Housing Advice – homelessness prevented (cases resolved)	504	407
11. Days taken to process Housing Benefit / Council Tax support claims	24.51 for new claims 9.08 for changes	24.89 for new claims 7.68 for changes
12. Number of affordable homes completed	68	125
13. Food businesses with 'scores on the door' of 3 or over	94.5%	95.0%
14. % Household waste recycled and composted	56.8%	58.0%
15. Staff sickness absence	9.2 days	10.17days
16. Staff turnover	8.17%	9.24%
17. Calls answered by customer services within 20 seconds	89.5%	84.6%
18. Households that are eligible registered on the electoral register	N/A	56,629

The Council approved a Corporate Plan for the period 2013-2016. This is an essential part of our strategic framework and sets out the vision for the borough for the three years. During 2015-16, the Council updated its corporate plan and published the Corporate Plan 2015-2020, available on our website, http://www.guildford.gov.uk/corporateplan. The 2013-16 Corporate Plan covered the Council's operation up to September 2015, however, since October 2015 performance has been measured against the 2015-2020 Corporate Plan. The Corporate Plan informs the more detailed service and project plans. The priorities set out in the plan are the basis and drivers for our performance indicators.

The five themes provide a focus for Council activities and there is a clear link between service delivery and the Council's corporate objectives. We monitor progress against the objectives in the service plans through regular performance monitoring meetings and reports.

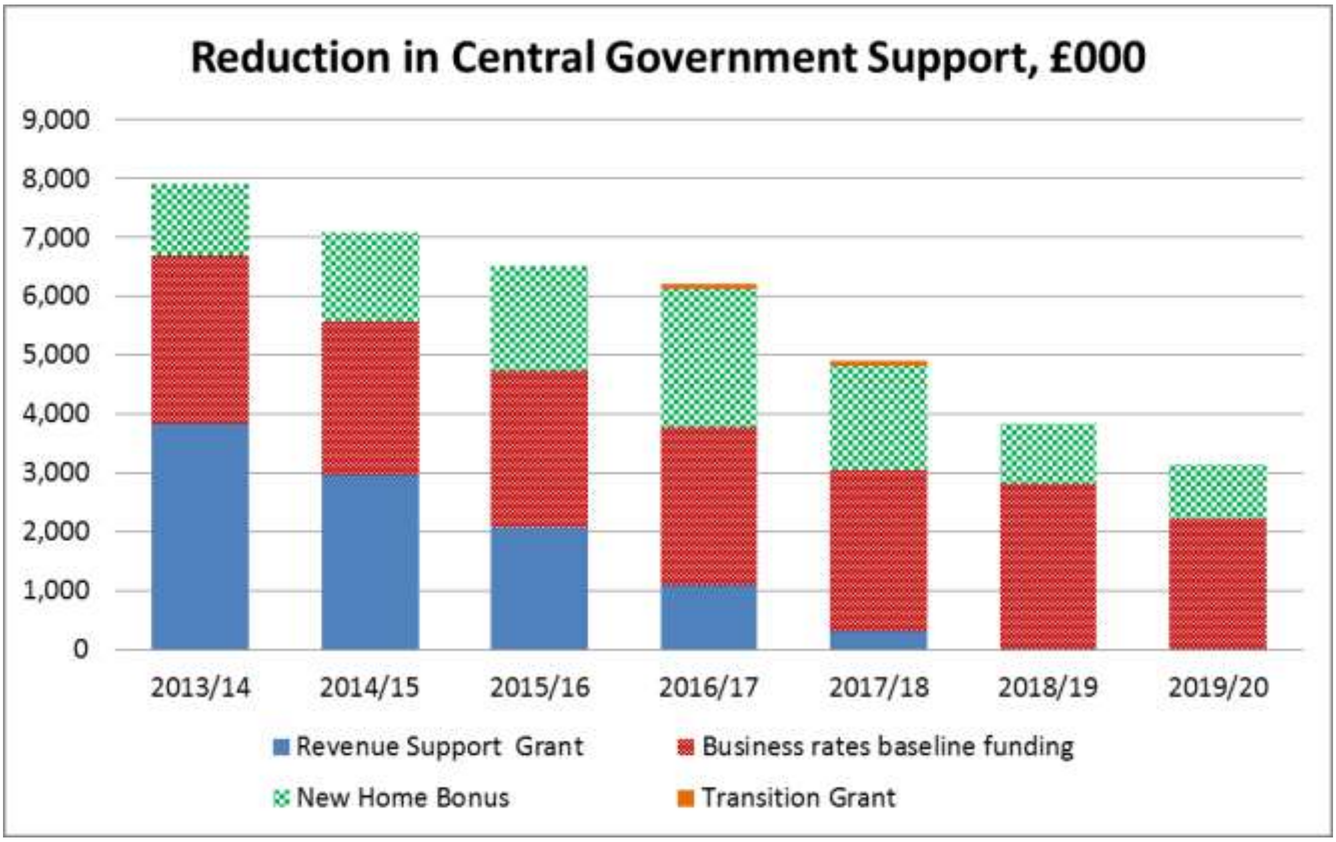
Page 11 of the Corporate Plan 2015-2020 reports the progress made against the 2013-2016 Corporate Plan.

Over recent years, the Council has undertaken a programme of service challenges and senior management restructures. This has reduced our staffing levels as shown in the table below.

	Full time equivalent (FTE) number of staff			
	2012	**2013**	**2014**	**2015**
Office Based Staff	502.7	480.4	530.7	490.2
Manual Staff	232.2	240.0	182.6	214.8
Total	**735.0**	**720.4**	**713.4**	**705.0**

Issues affecting the Council's Future

My Chief Finance Officer's report on the 2016-17 Budget, presented to Council on 10 February 2016, is on our website (www.guildford.gov.uk), (Item 16 Appendix 1). This report contains an overview of local government funding, the economic outlook and their impact on Guildford Borough Council.
The economic situation continues to pose a significant risk. The level of Central Government support to Guildford Borough Council has been reducing as the Government addresses the national deficit. The chart below shows the change in Central Government funding since 2013-14 projected through to 2019-20.



As the government's austerity measures impact on residents, then our income streams could be affected. Interest earnings, whilst no longer form a significant source of income, are still estimated to be approximately £0.4 million (net) during 2016-17 and the preservation of our capital whilst maximising our income is of paramount importance.

As part of the Local Government Finance Settlement (LGFS) issued on 8 February 2016, the government released indicative settlement figures for the 4 year period 2016-17 to 2019-20. It requires local authorities to make efficiency savings but in return offers new levers to generate growth for their areas. The proposals set out in the LGFS is that by the end of the Parliament, local government will retain 100% of business rate revenues, however, the system of top-up and tariffs, which re-distributes revenues between local authorities nationally, will be retained. As part of the reforms, the government will phase out Revenue Support Grant (RSG) and devolve additional responsibilities to local government such as responsibility for funding public health and housing benefit to pensioners.

The LGFS shows that the Council's core spending power[1] is expected to reduce by 8.5% over the period. The majority of the reduction falls on the RSG which will be nil for the Council by 2018-19. To enable the government to still have a mechanism for redistributing some of our locally raised income, it has introduced an adjustment to the tariff the Council pays to central government under the business rates retention scheme for 2019-20. This could be considered a 'negative revenue support grant', or an additional tax on local government, it has the impact of further reducing resources in 2019-20. This has the impact of reducing the Council's income below the amount determined by Government as Guildford Borough Council's 'baseline need to spend'. However, as part of the move to 100% business rates retention the Government have announced that the baseline need to spend for each Council will be re-assessed. Taken together the reduction in RSG and adjustment to the tariff payment over the period represents a reduction in grant of 132% or £2.75 million in cash terms.

Many of the priorities within the corporate plan involve significant investment in services, infrastructure and housing to deliver the outcomes.

A 10-year capital strategy or 'vision' has been developed with the aims of realising the Council's Corporate Plan, raising the quality of life for residents and improving the long term financial planning process. The first five years of the capital strategy are the capital programme. The capital programme is significant and includes potential investment in key projects to support our corporate plan such as:-

- Redevelopment of North Street
- Investment in affordable houses
- Investment in new social housing (HRA)
- A new link road at Clay Lane, Slyfield
- Redevelopment of the Slyfield area for housing
- Redevelopment of areas within the town centre owned by the Council
- Investment in transport infrastructure within Guildford Town Centre
- Pedestrian and cycling routes around the town
- Replacement of the roof at the Spectrum
- Upgrading of Woodbridge Road sports ground
- Acquisition of new burial ground
- Investment in property under the asset investment strategy
- Increasing the car parking provision in the town
- Rebuilding the crematorium

[1] Core spending power for Guildford comprises: RSG, business rates retention income, Council Tax income and new homes bonus

- Renewal of the Council's vehicle fleet (eg, bin lorries etc)
- Redevelopment of Guildford Park car park for housing and a multi-storey car park
- Redevelopment of the Council's offices at Stoke Park nursery
- Repair of Chilworth Gunpowder mills
- Creation of camping facilities at Chantry Wood campsite

To finance the capital strategy, a variety of funding sources, such as capital receipts, capital reserves, revenue contributions, S106 contributions and borrowing will be required. Unless the Council is able to generate capital receipts it will need to borrow from its own internal resources, or the market. Any borrowing will have a direct impact on the revenue budget, as there is a requirement to charge a minimum revenue provision (MRP) for the use of borrowing as well as interest payments. Whilst the 5-year capital programme is ambitious, the 10-year capital strategy assumes that there will be some capital receipts or revenue income arising, particularly from the redevelopment schemes, that will offset some of the expenditure in the long-term.

Growth included within the revenue budget for 2016-17 supports the delivery of the Corporate Plan. The growth arising from investment in services to meet the Corporate Plan for 2017-18 to 2019-20 has been included in the medium term financial plan. The main areas of investment to support our corporate plan include:

- Investment to support improvement in our customer services
- Investment in staffing and feasibility work to support the redevelopment of Council owned land and property in the town centre (to support the aspirations for the town centre set out within the town centre masterplan)
- Investment in the Council's website to make it transactional
- Extension of the Council's apprenticeship scheme
- Investment in our parks
- Review of Councillors allowances
- Introduction of the 'Hybrid' system of Council governance
- Introduction of grants to small / medium start up businesses

The financial projections to 2019-20 show that at summary level there is a gap between projected income and expenditure over the period 2016-17 to 2019-20. We estimate that the funding gap totals approximately £5.5 million over the plan period (to 2019-20).

Bearing in mind our ambitious corporate plan, plans to regenerate the Slyfield Area, the results of the Allies and Morrison Town Centre Masterplan report and our stated desire to redevelop the North Street area and other parts of the town centre, in the medium term we expect that our income from business rates will fall as these schemes are implemented.

The medium term budget gap already assumes that £1.4 million savings and additional income proposals (put forward as part of the 2016-17 business planning process) identified for 2017-18 to 2019-20 can be achieved. There is a risk that if the savings and income proposals are not achieved then the budget gap will be higher.

The Council is continuing to pursue a programme of transformation to address the budget gap and ensure a financially sustainable future. The transformation programme has three strands:

- Commercial / traded services
- Asset investment
- Fundamental service reviews.

Financial Risks

The Council faces many financial risks, which are identified in the financial risk register published as part of the council's budget book for 2016-17 on our website (budget book), the major ones are explained below.

1. The national economic situation continues to affect the Council, in particular,
   - Loss of interest from investments arising from bank base rates remaining at a low level for longer than expected, particularly if there is a vote to leave the EU
   - Increase in housing benefit claimants and bad debts
   - Potential increase in homelessness
   - Loss of income from Fees and Charges
   - Loss of rental income on investment properties
   - Higher than expected cuts in central government support if the government change the indicative 4-year settlement due to unforeseen circumstances
2. The Council has embarked on a transformation programme to deliver savings and income generation; there is a risk that the programme will not be delivered on target.
3. Universal credit is still to come into effect. Key staff may decide to look for other jobs and leave whilst the Council is managing the run down to 2017 (when housing welfare costs are earmarked for removal from Council business). It is possible that new burdens grant funding will not cover all of the Council's run-down expenses (for example communications strategy and redundancy costs). The welfare changes will also affect the Council through their effects on vulnerable people where there is likely to be an increase in demand for services such as homelessness and housing advice.
4. Businesses and Council Tax payers now have the right to request payment of their bill by 12 instalments instead of 10. If large numbers of payers take this option it will adversely affect cash flow and therefore interest receipts.
5. There continues to be volatility in our business rate income due to voids, appeals, revaluations and bad debts. This uncertainty makes it difficult to budget accurately for business rate income and close monitoring through the year is crucial to identify any shortfalls at an early stage. If a large business chose to close or relocate away from Guildford, it would adversely affect our income. This will be particularly relevant once local government moves to 100% business rates retention in 2020.
6. Business rates will undergo a national revaluation exercise in 2017, this will have an impact upon the future levels of income the Council receives. In setting the business rate multiplier for 2017-18, the Government will need to take into account the estimated value of appeals it anticipates following the revaluation exercise. History shows that government have consistently under estimated the level of appeals following a revaluation exercise. If appeals are higher than government estimates this will result in a loss of business rate income for the Council. The risk of volatility in income due to appeals will fall solely on the Council post 2020 under the proposal for local government to keep 100% of business rates.

7. As part of the implementation of 100% business rates retention, the government will review the baseline need to spend for each local authority which will impact the tariff that the Council pays under the BRRS to redistribute business rates between local authorities. This could have the impact of further reducing resources available to the Council.
8. The Council is likely to embark on three major regeneration schemes during the medium term budget period; North Street, Slyfield and parts of the town centre along the river corridor. Taking these schemes forward will have significant financial risks for the Council. Officers are currently looking at alternative legal structures to help us manage those risks.
9. The Council and its partners are currently working towards the '3SC devolution deal' which will see powers and responsibilities for functions and services devolved from central government to a new combined authority for the 3SC area. The arrangements of the deal and the financial implications are work in progress.

Auditors remuneration

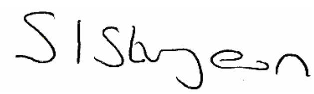
Details relating to the remuneration of Auditors of the Council are shown in note 11 to the Statement of Accounts. The auditors did not undertake any other work outside of their core audit for the Council.

Conclusion

The Council has been able to maintain a high level of performance in the delivery of its services during 2015-16, and at the same time maintain its reserves and provisions to a level adequate to meet all known liabilities and invest in transformational change.

There are significant challenges for us in the future. The Government continues to reduce local authority funding as part of its austerity programme and we are starting to prepare for the implementation of 100% business rates retention and devolution. The broader welfare reform agenda is also likely to put pressure on Council services, particularly in the area of housing and homelessness. At the same time the Council has exciting but challenging plans for the regeneration of the town and borough.

The Council is well placed to meet these challenges and has a programme of transformational changes and fundamental service reviews in place to deliver savings for future years.



Sue Sturgeon, CPFA
Chief Financial Officer
30 June 2016

MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (that is those that can be applied to finance expenditure or reduce local taxation) and other reserves. The surplus / (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.

2014 - 15	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 2014 carried forward	**3,748**	**20,278**	**2,500**	**36,422**	**29,554**	**1,607**	**95**	**94,204**	**360,811**	**455,015**
Movement in Reserves during 2014-15										
Surplus/(deficit) on the provision of services	(1,790)	-	38,412	-	-	-	-	36,622	-	36,622
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	38,438	38,438
Total Comprehensive Income and Expenditure	**(1,790)**	-	**38,412**	-	-	-	-	**36,622**	**38,438**	**75,060**
Adjustments between accounting basis & funding basis under regulations (Note 23)	8,557	-	(30,552)	-	445	463	(32)	(21,119)	21,119	-
Net increase/(decrease) before transfers to earmarked reserves	**6,767**	-	**7,860**	-	**445**	**463**	**(32)**	**15,503**	**59,557**	**75,060**
Transfers to/from earmarked reserves (Note 13)	(6,767)	6,767	(7,860)	7,860	-	-	-	-	-	-
Increase /(decrease) in 2014-15	-	6,767	-	7,860	445	463	(32)	15,503	59,557	75,060
Balance at 31 March 2015 carried forward	**3,748**	**27,045**	**2,500**	**44,282**	**29,999**	**2,070**	**63**	**109,707**	**420,368**	**530,075**

2015 - 16	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 2015 carried forward	**3,748**	**27,045**	**2,500**	**44,282**	**29,999**	**2,070**	**63**	**109,707**	**420,368**	**530,075**
Movement in Reserves during 2015-16										
Surplus/(deficit) on the provision of services	(4,844)	-	14,837	-	-	-	-	9,993	-	9,993
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	57,187	57,187
Total Comprehensive Income and Expenditure	**(4,844)**	-	**14,837**	-	-	-	-	**9,993**	**57,187**	**67,180**
Adjustments between accounting basis & funding basis under regulations (Note 23)	9,322	-	(3,901)	-	(2,765)	1,466	347	4,469	(4,469)	-
Net increase/(decrease) before transfers to earmarked reserves	**4,478**	-	**10,936**	-	**(2,765)**	**1,466**	**347**	**14,462**	**52,718**	**67,180**
Transfers to/from earmarked reserves (Note 13)	(4,478)	4,478	(10,936)	10,936	-	-	-	-	-	-
Increase /(decrease) in 2015-16	-	4,478	-	10,936	(2,765)	1,466	347	14,462	52,718	67,180
Balance at 31 March 2016 carried forward	**3,748**	**31,523**	**2,500**	**55,218**	**27,234**	**3,536**	**410**	**124,169**	**473,086**	**597,255**

The usable reserves can be classified into the following categories:

- earmarked reserves – providing financing for future expenditure plans, commitments and possible liabilities (see note 13)
- general balances (General Fund Balance and Housing Revenue Account) – available balances to cushion the impact of uneven cash flow and a contingency for unexpected events
- capital receipts and contributions – the balance of proceeds from the sale of assets and contributions received that have not been used to fund new capital expenditure but are set aside to fund future capital expenditure
- major repairs reserve – the balance of depreciation charged to the HRA that has yet to be used to fund expenditure on HRA assets

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.

2014-15					**2015-16**		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
2,201	1,068	1,133	Central services to the public		2,289	880	1,409
12,884	7,009	5,875	Cultural and Related Services		13,323	5,174	8,149
14,923	7,260	7,663	Environmental and Regulatory Services		14,544	7,287	7,257
7,488	2,387	5,101	Planning Services		8,055	2,206	5,849
6,901	11,740	(4,839)	Highways and transport services		7,447	12,277	(4,830)
			Local authority housing (HRA):				
(22,462)	-	(22,462)	- Revaluation gain	2	(1,165)	-	(1,165)
15,592	32,275	(16,683)	- Other		16,575	32,593	(16,018)
43,045	37,988	5,057	Other housing services		40,189	36,858	3,331
2,524	1,565	959	Adult social care		2,721	1,588	1,133
4,841	759	4,082	Corporate and democratic core		4,680	804	3,876
74	-	74	Non distributed costs		156	-	156
88,011	**102,051**	**(14,040)**	**Cost of Services**		**108,814**	**99,667**	**9,147**
		(2,150)	Other operating expenditure	4			108
		(1,565)	Financing and investment income and expenditure	5			(404)
		(18,867)	Taxation and non-specific grant income	6			(18,844)
		(36,622)	**Surplus on Provision of Services**				**(9,993)**
			Items that will not be reclassified to the surplus on provision of services				
		(60,098)	Surplus on revaluation of Property, Plant and Equipment assets	2, 23			(34,949)
		22,376	Remeasurements of the net defined benefit liability	2, 23			(22,536)
			Items that may be reclassified to the surplus on provision of services				
		(716)	Surplus on revaluation of available for sale financial assets	23			298
		(38,438)	**Other Comprehensive Income and Expenditure**				**(57,187)**
		(75,060)	**Total Comprehensive Income and Expenditure**				**(67,180)**

BALANCE SHEET

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) match the reserves held by the Council. Reserves are reported in two categories:

- usable reserves - which 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), and
- unusable reserves - which the Council is not able to use to provide services. This category 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 in the line called *Adjustments between accounting basis and funding basis under regulations*.

31 March 2015 £000		**Notes**	**31 March 2016 £000**
632,446	Property, Plant & Equipment	14	667,504
3,420	Heritage Assets	15	3,456
106,181	Investment Property	16	117,284
870	Intangible Assets		921
8,150	Long-term Investments	28	25,050
468	Long-term Debtors	28	955
751,535	**Long Term Assets**		**815,170**
97,000	Short-term Investments	28	107,758
355	Inventories		362
5,742	Short Term Debtors	17	7,834
9,036	Cash and Cash Equivalents	18	12,223
112,133	**Current Assets**		**128,177**
(15,335)	Short Term Borrowing	28	(34,991)
(20,713)	Short Term Creditors	19	(25,486)
(3,821)	Provisions	20	(5,910)
(39,869)	**Current Liabilities**		**(66,387)**
(198,585)	Long Term Borrowing	28	(203,355)
(95,139)	Other Long Term Liabilities	26	(76,350)
(293,724)	**Long Term Liabilities**		**(279,705)**
530,075	**Net Assets**		**597,255**
109,707	Usable Reserves	MIRS	124,169
420,368	Unusable Reserves	23	473,086
530,075	**Total Reserves**		**597,255**

SISturgeon

Sue Sturgeon, CPFA, Chief Financial Officer, 30 June 2016

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 that 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 (that is borrowing) to the Council.

2014-15 £000		2015-16 £000
	OPERATING ACTIVITIES	
36,622	Net surplus on the provision of services	9,993
(8,753)	Adjustments for non-cash movements (Note 22)	20,171
(9,080)	Adjustments for items included in the net surplus that are investing and financing activities (Note 22)	(6,748)
18,789	**Net cash flows from Operating Activities**	**23,416**
	INVESTING ACTIVITIES	
(20,811)	Payments for additions to long term assets	(23,465)
(168,107)	Payments for purchase of investments	(221,996)
(407)	Other payments for investing activities	(38)
7,198	Proceeds from the disposal of long term assets	4,522
130,972	Proceeds from disposal of investments	194,211
-	Other receipts from investing activities	2,862
(51,155)	**Net cash flows from Investing Activities**	**(43,904)**
	FINANCING ACTIVITIES	
54,000	Cash receipts of short and long-term borrowing	110,500
2,342	Other receipts from financing activities	(595)
(34,234)	Repayments of short and long-term borrowing	(86,230)
22,108	**Net cash flows from financing activities**	**23,675**
(10,258)	**Net decrease in cash and cash equivalents**	**3,187**
19,294	Cash and cash equivalents at the beginning of the reporting period	9,036
9,036	**Cash and cash equivalents at the end of the reporting period (Note 18)**	**12,223**

The other receipts from financing activities relate to council tax and business rates adjustments for billing authorities.

NOTES TO THE ACCOUNTS

1. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 23 June 2016 the UK voted to leave the European Union. Whilst this may prove to have an impact on the financial position of the Council, that impact is as yet unknown.

2. MATERIAL ITEMS OF INCOME AND EXPENSE

The Council's asset revaluation programme gave rise to an increase of £36 million in the valuation of property, plant and equipment in 2015-16 (£82 million in 2014-15), of which £1 million relating to council dwellings (£22 million in 2014-15) was included in the surplus on provision of services in the CIES to reverse losses charged to it in previous years. See HRA note 9. The remaining £35 million was included in Other Comprehensive Income and Expenditure in the CIES, and recognised in the Revaluation Reserve.

Also included in Other Comprehensive Income and Expenditure was a credit of £22.5 million (charge of £22 million in 2014-15) relating to remeasurements of the net defined benefit liability, recognised in the Pensions Reserve.

Both of these items are reversed out of the Movement in Reserves Statement as adjustments between accounting basis and funding basis under regulations and therefore have no impact on the General Fund and HRA balances.

3. RECONCILIATION WITH AMOUNTS REPORTED INTERNALLY

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates.

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 CIES
- 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 directorate. Support services charges are also included within the relevant service costs.

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

2015-16	**Community Services**	**Corporate**	**Development**	**Environment**	**Managing Director**	**Resources**	**Housing Revenue Account**	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(6,725)	(2,259)	(10,067)	(27,281)	(498)	(8,870)	(32,593)	**(88,293)**
Government grants and contributions	(31)	(59)	(30)	-	-	(36,001)	-	**(36,121)**
Total Income	**(6,756)**	**(2,318)**	**(10,097)**	**(27,281)**	**(498)**	**(44,871)**	**(32,593)**	**(124,414)**
Employee expenses	5,055	2,653	4,361	9,681	362	6,993	2,700	**31,805**
Other service expenses	5,197	1,710	2,582	16,670	40	39,221	5,992	**71,412**
Support service recharges	1,065	1,328	1,653	2,774	76	1,589	1,735	**10,220**
Depreciation and amortisation	124	16	150	5,168	-	640	6,446	**12,544**
Total Expenditure	**11,441**	**5,707**	**8,746**	**34,293**	**478**	**48,443**	**16,873**	**125,981**
Net Expenditure	**4,685**	**3,389**	**(1,351)**	**7,012**	**(20)**	**3,572**	**(15,720)**	**1,567**

2014-15	**Community Services**	**Corporate**	**Development**	**Environment**	**Managing Director**	**Resources**	**Housing Revenue Account**	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(6,599)	(2,090)	(9,739)	(28,902)	(437)	(8,508)	(32,275)	**(88,550)**
Government grants and contributions	(92)	(85)	(20)	-	-	(36,973)	-	**(37,170)**
Total Income	**(6,691)**	**(2,175)**	**(9,759)**	**(28,902)**	**(437)**	**(45,481)**	**(32,275)**	**(125,720)**
Employee expenses	4,993	2,795	4,023	10,124	304	7,031	2,716	**31,986**
Other service expenses	5,319	1,517	2,579	15,848	58	40,236	5,845	**71,402**
Support service recharges	1,003	1,282	1,418	2,551	70	1,441	1,508	**9,273**
Depreciation and amortisation	90	23	155	5,008	-	585	5,956	**11,817**
Total Expenditure	**11,405**	**5,617**	**8,175**	**33,531**	**432**	**49,293**	**16,025**	**124,478**
Net Expenditure	**4,714**	**3,442**	**(1,584)**	**4,629**	**(5)**	**3,812**	**(16,250)**	**(1,242)**

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the CIES.

2014-15		2015-16
£000		£000
(1,242)	Net expenditure in the Service Unit Analysis	1,567
(21,359)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis, mainly comprising, revaluation gains and losses, revenue funded from capital under statute (REFCUS) and IAS19 adjustment.	385
8,561	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	7,195
(14,040)	**Net Cost of Services in Comprehensive Income and Expenditure Statement**	**9,147**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the surplus on the provision of services included in the CIES.

2015-16	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(88,293)	-	-	13,312	11,435	(63,546)	-	(63,546)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	(8,934)	(8,934)
Income from council tax	-	-	-	-	-	-	(9,824)	(9,824)
Business Rates Retention Scheme (net)	-	-	-	-	-	-	(2,226)	(2,226)
Government grants and contributions	(36,121)	-	-	-	-	(36,121)	(6,793)	(42,914)
Total Income	**(124,414)**	**-**	**-**	**13,312**	**11,435**	**(99,667)**	**(27,777)**	**(127,444)**
Employee expenses	31,805	-	666	(1,552)	(275)	30,644	-	30,644
Other service expenses	71,412	-	-	(4,168)	(1,884)	65,360	-	65,360
Support service recharges	10,220	-	-	(944)	(9,276)	-	-	-
Depreciation, amortisation, valuation gains and losses and REFCUS	12,544	-	(281)	547	-	12,810	-	12,810
HRA reform debt settlement	-	-	-	-		-	-	-
Interest payments	-	-	-	-	-	-	8,529	8,529
Precepts and levies	-	-	-	-	-	-	1,406	1,406
Payments to housing Capital Receipts Pool	-	-	-	-	-	-	704	704
Gain on disposal of fixed assets	-	-	-	-	-	-	(2,002)	(2,002)
Total expenditure	**125,981**	**-**	**385**	**(6,117)**	**(11,435)**	**108,814**	**8,637**	**117,451**
(Surplus) or deficit on the provision of services	**1,567**	**-**	**385**	**7,195**	**-**	**9,147**	**(19,140)**	**(9,993)**

2014-15	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(88,550)	-	-	13,036	10,633	(64,881)	-	(64,881)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	(9,731)	(9,731)
Income from council tax	-	-	-	-	-	-	(9,505)	(9,505)
Business Rates Retention Scheme (net)	-	-	-	-	-		(2,326)	(2,326)
Government grants and contributions	(37,170)	-	-	-	-	(37,170)	(7,036)	(44,206)
Total Income	**(125,720)**	**-**	**-**	**13,036**	**10,633**	**(102,051)**	**(28,598)**	**(130,649)**
Employee expenses	31,986	-	(851)	(1,468)	(268)	29,399	-	29,399
Other service expenses	71,402	-	-	(3,946)	(1,940)	65,516	-	65,516
Support service recharges	9,273	-	-	(848)	(8,425)	-	-	-
Depreciation, amortisation, valuation gains and losses and REFCUS	11,817	-	(20,508)	1,787		(6,904)	-	(6,904)
HRA reform debt settlement	-	-	-	-		-	-	-
Interest payments	-	-	-	-	-	-	8,166	8,166
Precepts and levies	-	-	-	-	-	-	1,261	1,261
Payments to housing Capital Receipts Pool	-	-	-	-	-	-	615	615
Gain on disposal of fixed assets	-	-	-	-	-	-	(4,026)	(4,026)
Total expenditure	**124,478**	**-**	**(21,359)**	**(4,475)**	**(10,633)**	**88,011**	**6,016**	**94,027**
(Surplus) or deficit on the provision of services	**(1,242)**	**-**	**(21,359)**	**8,561**	**-**	**(14,040)**	**(22,582)**	**(36,622)**

4. OTHER OPERATING EXPENDITURE

2014-15		2015-16
£000		**£000**
1,261	Parish council precepts	1,406
615	Payments to the government Housing Capital Receipts Pool	704
(4,026)	Gains on the disposal of non-current assets	(2,002)
(2,150)		**108**

The gains on disposal relate primarily to the sale of council dwellings under the right to buy and equity share schemes. In 2014-15 it also included the sale of land at White Hart Court for the provision of social housing.

5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014-15		2015-16
£000		**£000**
5,149	Interest payable and similar charges	5,473
3,017	Net interest on the net defined benefit liability (Note 26)	3,056
(1,404)	Interest receivable and similar income	(1,541)
(8,327)	Income and expenditure in relation to investment properties and changes in their fair value	(7,392)
(1,565)		**(404)**

More detail in relation to investment property is provided in note 16.

6. TAXATION AND NON SPECIFIC GRANT INCOME

2014-15 £000		2015-16 £000
(9,505)	Council tax income	(9,824)
(2,326)	Non domestic rates income and expenditure	(2,227)
(5,154)	Non-ringfenced government grants	(4,567)
(1,882)	Capital grants and contributions	(2,226)
(18,867)		**(18,844)**

The non-domestic rates income and expenditure line above includes the following:

2014-15 £000		2015-16 £000
27,533	Tariff	28,060
2	Levy	112
(29,861)	Retained income	(30,399)
(2,326)		**(2,227)**

7. 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:

	2015-16 Turnover £000	Expenditure £000	Surplus/(Deficit) £000	2014-15 Turnover £000	Expenditure £000	Surplus/(Deficit) £000
Building maintenance	3,202	3,338	(136)	3,025	3,085	(60)
Fleet Management	2,132	2,154	(22)	2,470	2,126	344
Stores	98	102	(4)	133	136	(3)
Vehicle Maintenance	744	778	(34)	787	833	(46)

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

8. 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.

UK Central Government

UK Central Government has significant influence 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 (for example council tax bills, housing benefits). Grants received from Government departments are set out in note 12.

Councillors and Officers
Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid in 2015-16 is shown in Note 9. The Council paid grants totalling £71,249 to voluntary organisations in which a number of elected councillors had an interest. In addition, the Council paid grants totalling £510,095 to voluntary organisations in which a number of councillors were acting as a Borough Council nominee. The Council gave support totalling £284,012 to the Citizens Advice Bureaux in which two councillors had an interest and four councillors were acting as Borough Council nominees. In all instances, the grants were 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. The Council paid a grant of £22,840 to a voluntary organisation in which one, senior officer disclosed an interest.

9. COUNCILLORS' ALLOWANCES

2014-15 £		2015-16 £
230,802	Basic Allowance	230,192
63,603	Special Responsibility Allowance	67,132
3,954	Mileage and Subsistance	5,307
298,359		**302,631**

The amount paid to each councillor is published annually on the Council's website, at http://www.guildford.gov.uk/article/5128/Councillors---allowances

10. OFFICERS' REMUNERATION

The following table sets out the Senior Officers' emoluments for 2015-16, where the salary is between £50,000 and £150,000 per year.

Postholder	Note		Salaries, fees and Allowances	Other non salary payments	Lump sum in respect of car mileage, telephone etc.	Termination Payments	Pension Contribution	Car lease/ other benefits	Total
Managing Director		**2015-16**	**127,951**		**1,701**		**18,213**	**6,077**	**153,942**
		2014-15	124,010	-	1,684	-	17,944	5,610	149,248
Director of Corporate Services (formerly Executive Head of Governance)	1	**2015-16**	**100,142**	**10,780**	**3,690**	**-**	**16,125**	**551**	**131,288**
	2	2014-15	-	-	-	-	-	-	-
Director of Development (formerly Executive Head of Development)	3	**2015-16**	**36,629**		**205**		**5,222**	**2,637**	**44,693**
		2014-15	86,085	-	485	-	12,505	5,505	104,580
Director of Environment (formerly Executive Head of Environment)		**2015-16**	**88,255**		**1,362**	**-**	**12,781**	**6,522**	**108,920**
		2014-15	83,671	-	677	-	12,186	5,035	101,569
Director of Community Services (formerly Executive Head of Housing and Health)		**2015-16**	**86,700**	**-**	**1,298**	**-**	**12,658**	**5,894**	**106,550**
		2014-15	87,160	-	485	-	12,726	5,412	105,783
Director of Resources (formerly Executive Head of Financial Services)		**2015-16**	**87,069**	**-**	**1,298**	**-**	**12,635**	**3,095**	**104,097**
		2014-15	88,334	-	485	-	12,863	2,608	104,290
Executive Head of Organisational Development	4	**2015-16**	**52,460**		**287**	**95,626**	**99,568**	**5,794**	**253,735**
		2014-15	87,660	-	485	-	12,724	6,974	107,843
Audit and Performance Manager		**2015-16**	**57,302**	**-**	**-**	**-**	**8,290**	**8,257**	**73,849**
		2014-15	56,075	-	-	-	8,187	5,954	70,216

1. The other non-salary payment in 2015-16 relates to a payment made in respect of the Borough and General Elections held in May 2015. The amount in respect of the General Election was reimbursed by the Treasury.

2. The post of Director of Corporate Services was covered under a consultancy contract with Venture Legal Consulting Ltd during 2014-15. The total fees, paid in respect of performing the duties of this post in 2014-15 were £155,161. This included a payment of £3,450 in respect of the European Elections held in 2014, which was reimbursed by the Treasury.

3. This figure relates to the former Executive Head of Development, who left the council in August 2015. Since August 2015, the post of Director of Development has been covered under a consultancy contract with Gatenby Sanderson. The total fees, paid to the agency in respect of performing the duties of this post were £105,600.

4. This post was deleted at the end of October 2015, as part of a senior management restructure.

The following table sets out those employees who were included in the 2014-15 Senior Officer note:

Postholder	Note		Salaries, fees and Allowances	Other non salary payments	Lump sum in respect of car mileage, telephone etc.	Termination Payments	Pension Contribution	Car lease/ other benefits	Total
Strategic Director	1	2014-15	7,878	-	139	97,732	1,150	384	107,283
Head of Financial Services	2	2014-15	53,021	-	1,865	-	7,954	480	63,320
Head of Planning Services	1	2014-15	22,828	-	206	75,500	3,333	1,476	103,343
Head of Business Systems	1	2014-15	69,501	-	2,174	-	65,971	-	137,646
Head of Health and Community Care Services	2	2014-15	69,501	-	485	-	10,147	6,830	86,963
Head of Housing Advice	2	2014-15	61,643	-	1,385	-	9,000	2,789	74,817
Head of Parks and Leisure Services	1	2014-15	60,218	-	737	-	8,792	6,998	76,745

1. These posts have now been deleted as part of a management restructure

2. These posts do not report to the Head of Paid Service and have therefore been removed from this note to be consistent with the CIPFA Code.

The Council's other employees receiving more than £50,000 remuneration for the year, which includes termination payments but excludes employer's pension contributions, were paid the following amounts:

Remuneration Band	2015-16 Number of Employees	2014-15 Number of Employees
£50,000 - £54,999	17	16
£55,000 - £59,999	6	8
£60,000 - £64,999	4	4
£65,000 - £69,999	4	2
£70,000 - £74,999	2	0
£80,000 - £84,999	1	0
£85,000 - £89,999	0	2
£105,000 - 109,999	0	1

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit Package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
							£	£
£0 - £20,000	3	1	0	2	3	3	41,380	30,966
£20,001 - £40,000	2	3	2	2	4	5	127,934	121,726
£40,001 - £60,000	0	1	0	2	0	3	-	164,455
£60,001 - £80,000	0	1	0	1	0	2	-	149,633
£80,001 - £100,000	0	1	0	1	0	2	-	189,401
£180,001 - £200,000	1	0	0	0	1	0	187,726	-
	6	**7**	**2**	**8**	**8**	**15**	**357,040**	**656,181**
Less: amounts included above provided for in previous year							**(61,281)**	**(110,296)**
Add: Amounts provided for in CIES not included in bandings							-	61,281
Total cost included in CIES							**295,759**	**607,166**

Payments shown in respect of redundancies include both redundancy payments and additional amounts paid to the Pension Fund, where applicable.

Payments made in respect of other departures agreed include voluntary redundancies, contractual obligations and discretionary payments, relating to people who have left the Council's employment in the interests of efficiency of the service.

11. 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:

2014-15 £'000		2015-16 £'000
76	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	58
20	Fees payable to Grant Thornton in respect of certification of grant claims and returns	14
(8)	Rebate re 2013-14	-
4	Fees payable to Grant Thornton for other services	-
92	**Total**	**72**

12. GRANT INCOME

The Council credited the following grants, contributions and donations to the CIES.

2014-15 £'000		2015-16 £'000
	Credited to Taxation and Non Specific Grant Income	
2,326	Non domestic rates	2,227
	Non-ringfenced government grants	
2,963	Revenue Support Grant	2,079
1,511	New Homes Bonus	1,780
680	s31 grant - Business Rates Retention Scheme & Council Tax	708
1,882	Capital grants and contributions	2,226
9,362	**Total**	**9,020**
	Credited to Services	
21,258	Housing Benefit Rent Allowance subsidy	20,437
14,569	Housing Benefit Rent Rebate subsidy	14,592
668	Housing Benefit Administration	582
544	Supporting People Grant	528
399	Day care and other social services	544
251	Business Rate Collection	235
198	Contributions to grants to voluntary organsiations	112
180	Social Care prevention partnership fund	180
102	Recycling	141
607	Other	403
38,776	**Total**	**37,754**

13. 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.

	Balance at 31 March 2014 £000	Transfers In 2014-15 £000	Transfers Out 2014-15 £000	Balance at 31 March 2015 £000	Transfers In 2015-16 £000	Transfers Out 2015-16 £000	Balance at 31 March 2016 £000
General fund:							
Budget Pressures	-	1,220	-	1,220	500	272	1,448
Business Rates Equalisation	543	1,467	2	2,008	2,732	67	4,673
Car Parks Maintenance	3,400	706	809	3,297	591	58	3,830
Carried forward items	1,152	775	756	1,171	621	756	1,036
Invest to Save	1,756	650	1,069	1,337	550	514	1,373
IT Renewals	939	345	482	802	953	749	1,006
New Homes Bonus	1,617	511	-	2,128	779	-	2,907
Park and Ride	1,650	-	-	1,650	-	-	1,650
Special Protection Area (SPA) Sites	-	2,761	99	2,662	1,045	38	3,669
Spectrum	1,251	169	29	1,391	172	-	1,563
Other earmarked reserves	7,970	2,701	1,292	9,379	2,735	3,746	8,368
Total	**18,708**	**11,305**	**4,538**	**25,475**	**10,678**	**6,200**	**29,953**
HRA:							
Capital Programme	20,829	2,500	-	23,329	2,500	-	25,829
New Build	15,593	5,360	-	20,953	8,436	-	29,389
Total	**36,422**	**7,860**	**-**	**44,282**	**10,936**	**-**	**55,218**

Budget Pressures: set up to allow us to manage the budget reduction required over the next five years
Business Rates Equalisation: To be used as appropriate to smooth out the effects of the Business Rates Retention Scheme, including those related to regeneration projects
Capital Programme (HRA): available to fund capital expenditure in future years
Car Parks Maintenance: used to fund repairs, maintenance and improvements in the Council's off street car parks
Carried forward items: this reserve allows the budget for items that we have not completed in the year to be carried forward so they can be finalised in later years without affecting that year's budget
Invest to Save: this reserve funds investment opportunities that will allow us to achieve ongoing savings, and short term increases in revenue costs during periods of transition
IT Renewals: receives repayments from services to fund expenditure as set out in the Council's Information and Communication Technology (ICT) strategy
New Build (HRA): to fund the building and acquisition of new Council homes
New Homes Bonus: New Homes Bonus is a general grant that we receive from the UK government. It is not ring-fenced for any specific purpose
Park and Ride: this reserve will be used to fund future park and ride sites
Special Protection Area (SPA) Sites: set up to hold s106 income received in relation to various SPA sites
Spectrum: this reserve is available to finance structural repairs and improvements to Spectrum Leisure Centre
Other: consists of 40 reserves with balances of less than £1 million, which have been earmarked for a range of different purposes e.g. insurance, pensions, protection from interest rate movements, legal actions, and energy management schemes.

14. PROPERTY, PLANT AND EQUIPMENT

Movement in 2015-16:

	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 2015	435,577	180,675	22,195	5,720	4,428	550	6,814	655,959
Additions	5,258	3,805	1,770	470	90	-	2,351	13,744
Disposals	(2,449)	-	(477)	-	-	-	-	(2,926)
Accumulated depreciation written off to cost or valuation	(6,425)	(465)	-	-	-	-	-	(6,890)
Revaluations recognised in the revaluation reserve	32,626	1,523	-	-	-	800	-	34,949
Revaluations recognised in the surplus on provision of services	1,105	121	-	-	-	-	-	1,226
Transfers	9,122	-	-	-	-	-	(9,122)	-
At 31 March 2016	**474,814**	**185,659**	**23,488**	**6,190**	**4,518**	**1,350**	**43**	**696,062**
Accumulated Depreciation								
At 1 April 2015	1,136	4,992	13,344	4,041	-	-	-	23,513
Charge for 2015-16	6,376	4,307	1,443	164	-	-	-	12,290
Disposals	(6)	-	(349)	-	-	-	-	(355)
Revaluations	(6,425)	(465)	-	-	-	-	-	(6,890)
Transfers	-	-	-	-	-	-	-	0
At 31 March 2016	**1,081**	**8,834**	**14,438**	**4,205**	**-**	**-**	**-**	**28,558**
Net book Value								
As at 31 March 2016	**473,733**	**176,825**	**9,050**	**1,985**	**4,518**	**1,350**	**43**	**667,504**
as at 31 March 2015	434,441	175,683	8,851	1,679	4,428	550	6,814	632,446

The transfer of £9.1 million from assets under construction to council dwellings represents housing schemes at Lakeside close, Ash and New Road, Gomshall that were completed during the year.

Comparative movement in 2014-15:

	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 2014	374,676	175,714	22,052	5,570	4,359	550	1,623	584,544
Additions	5,916	684	879	150	69	-	5,730	13,428
Disposals	(2,690)	-	(736)	-	-	-	-	(3,426)
Accumulated depreciation written off to cost or valuation	(10,065)	(10,766)	-	-	-	-	-	(20,831)
Revaluations recognised in the revaluation reserve	44,733	15,365	-	-	-	-	-	60,098
Revaluations recognised in the surplus on provision of services	22,468	(322)	-	-	-	-	-	22,146
Transfers	539	-	-	-	-	-	(539)	-
At 31 March 2015	**435,577**	**180,675**	**22,195**	**5,720**	**4,428**	**550**	**6,814**	**655,959**
Accumulated Depreciation								
At 1 April 2014	5,334	11,659	12,627	3,871	-	-	-	33,491
Charge for 2014-15	5,872	4,099	1,435	170	-	-	-	11,576
Disposals	(5)	-	(718)	-	-	-	-	(723)
Revaluations	(10,065)	(10,766)	-	-	-	-	-	(20,831)
At 31 March 2015	**1,136**	**4,992**	**13,344**	**4,041**	**-**	**-**	**-**	**23,513**
Net book Value								
As at 31 March 2015	**434,441**	**175,683**	**8,851**	**1,679**	**4,428**	**550**	**6,814**	**632,446**
as at 31 March 2014	369,342	164,055	9,425	1,699	4,359	550	1,623	551,053

Depreciation

Depreciation is charged on a straight-line basis over the useful life of the asset. The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 60 years
- Other Land and Buildings – 5 to 60 years
- Vehicles, Plant, Furniture and Equipment – 3 to 30 years
- Infrastructure – 10 years

Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016-17 and future years budgeted to cost £3.388 million. Similar commitments at 31 March 2015 were £3.044 million.

The major commitments are:
New housing – Lakeside Close, Ash £336,000, Former Corporation Club, Slyfield £2.188 million
Restoration of tow path and riverbank £436,000

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All of our council dwellings and a proportion of our other operational properties were revalued by the Valuation Office Agency and Wilks Head and Eve, chartered surveyors, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council dwellings were revalued as at January 2016 and other property as at November 2015. The assets were inspected between April 2015 and March 2016 and the valuer assumed, where relevant, that the properties valued will continue to be in the occupation of the Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Properties regarded by the Council 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.

The property regarded by the Council as surplus and therefore non-operational was valued at fair value, based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the property being categorised at Level 2 in the fair value hierarchy.

All assets of the same type, e.g. car parks, are generally revalued together in one year. We check that there are no material trends in the revaluations that should be applied to any of our other assets.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report, which also provides assurance that the valuer has reviewed the balance sheet values of the remainder of the Council's property portfolio to give assurance that no class of assets is materially misstated.

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	**Other Land and Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Surplus Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	-	-	23,488	-	23,488
Valued at current value as at:					
31-Mar-16	474,814	13,366	-	1,350	489,530
31-Mar-15	-	123,075	-	-	123,075
31-Mar-14	-	35,198	-	-	35,198
31-Mar-13	-	9,376	-	-	9,376
31-Mar-12	-	4,644	-	-	4,644
Total Cost or Valuation	**474,814**	**185,659**	**23,488**	**1,350**	**685,311**

15. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council

	Monuments £000	Civic Regalia etc £000	Art Collection £000	Total Assets £000
Cost or Valuation				
At 1 April 2014	892	1,759	711	3,362
Additions	46	-	12	58
At 31 March 2015	**938**	**1,759**	**723**	**3,420**
Cost or Valuation				
At 1 April 2015	938	1,759	723	3,420
Additions	6	-	30	36
At 31 March 2016	**944**	**1,759**	**753**	**3,456**

Civic Regalia

The Council's collection of civic regalia is held at the Guildhall, and includes such items as the mayor's badge, small and large mace and the civic plate.

Art Collection

The collection comprises more than 550 pieces and small collections. Many objects consist of multiple parts so the number of works comes close to 800. They span more than 250 years and include a plethora of media - oil paintings, watercolours, pastels, etchings, engravings, prints, textiles, ceramics, sculpture and glass.

The Heritage Services Collections Development Policy is available from the Council's Heritage Manager.

The civic regalia and art collection were valued as at March 2012 by Bonhams 1793 Limited, international auctioneers and valuers. The basis of the valuation was for insurance purposes and was based on estimated price of the items if purchased on retail premises.

Museum Collections

Guildford Museum works with local people and other partners to collect, record and care for the Borough's heritage and to promote understanding, enjoyment, and engagement with that heritage through access and learning for all. Its collections contain material of local, regional, national and international importance and form a unique cultural asset and resource for Guildford Borough, its people and its visitors.

The Council does not consider that reliable cost or valuation information can be obtained for the museum collection because of the diverse nature of the assets held and lack of comparable market values.

The heritage asset acquisitions and disposals policies are set out in the published Heritage Service's collections development policy, which the Council reviews every five years. This is a requirement of the national standards scheme for museums, which is managed by Arts Council England. A copy is lodged with other appropriate museums and regional organisations in Surrey and the South East. It is also available on the Council's website.

16. INVESTMENT PROPERTY

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

2014-15 £000		2015-16 £000
6,525	Rental income from investment property	7,021
(717)	Direct operating expenses arising from investment property	(905)
5,808	**Net gain**	**6,116**

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 fair value of the Council's investment property has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

There have been no change in the valuation techniques used during the year for investment properties.

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

2014-15 £000		2015-16 £000
96,187	Balance at start of the year	106,181
7,476	Additions	9,794
2,518	Net gains/(losses) from fair value adjustments	1,309
106,181	**Balance at end of the year**	**117,284**

In 2015-16 we repurchased the long leasehold interest of The Brinell Building, Lysons Avenue Industrial Estate, and a unit at Midleton Industrial Estate, from the Council's tenants. The Council is the freeholder of these properties. We also purchased a new investment property, the Armour Building, Bridge Street, Guildford. The acquisitions were part of the Council's Asset Investment Strategy to increase rental income.

17. SHORT TERM DEBTORS

31 March 2015 £000		31 March 2016 £000
403	Central government bodies	940
537	Other local authorities	2,496
4,802	Other entities and individuals	4,398
5,742	**Total**	**7,834**

18. 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 (that is callable) investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents consists of the following elements:

31 March 2015 £000		31 March 2016 £000
5	Cash held by the Council	7
(51)	Bank current accounts	(581)
9,082	Callable deposits	12,797
9,036	**Total Cash and Cash Equivalents**	**12,223**

19. SHORT TERM CREDITORS

30 March 2015 £000		30 March 2016 £000
4,665	Central government bodies	4,996
5,772	Other local authorities	8,608
10,276	Other entities and individuals	11,882
20,713	**Total**	**25,486**

20. PROVISIONS

	Outstanding Legal Cases £000	NDR Appeals £000	Other Provisions £000	Total £000
Balance at 31 March 2014	191	1,560	321	2,072
Additional provisions made	-	2,227	304	2,531
Amounts used	(3)	(496)	(263)	(762)
Unused amounts reversed	-	-	(20)	(20)
Balance at 31 March 2015	**188**	**3,291**	**342**	**3,821**
Additional provisions made	-	2,528	70	2,598
Amounts used	(111)	(337)	(61)	(509)
Balance at 31 March 2016	**77**	**5,482**	**351**	**5,910**

The Council's provisions consist of six items totalling £5,909,849 (£3,821,458 in 2014-15).

Outstanding Legal Cases

This relates to search fees, which, subject to legal action, may have to be repaid.

NDR Appeals

The NDR appeals provision was set up to cover the Council's share of the estimated reduction in business rates collectable due to rating appeals. It was calculated using information provided by the Valuation Office Agency about outstanding appeals, and our historical knowledge of the likely success rate of these appeals. A contribution of £6.32 million was made from the Collection Fund, and £0.842 million of revaluation list amendments were charged against the provision, but only the Council's 40% share is shown here. The remainder is shared between central government (50%) and Surrey County Council (10%) and is reflected in the balance sheet in the Council's net creditors with them.

Other provisions

All other provisions are individually insignificant.

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014-15 £000		2015-16 £000
991	Interest received	1,570
(5,129)	Interest paid	(5,316)

The surplus on the provision of services has been adjusted for the following non-cash movements:

2014-15 £000		2015-16 £000
11,576	Depreciation	12,290
(22,146)	Revaluation gains on Property, Plant & Equipment	(1,226)
241	Amortisation of intangible assets	253
(2,943)	Increase / (decrease) in creditors	4,503
(829)	(Increase) / decrease in debtors	(2,261)
2	(Increase) / decrease in inventories	(7)
2,180	Movement in pension liability	3,747
3,223	Carrying amount of non-current assets sold	2,571
(57)	Other adjustments	301
(8,753)		**20,171**

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

2014-15 £000		2015-16 £000
(1,882)	Capital grants and contributions credited to surplus on the provision of services	(2,226)
(7,198)	Proceeds from the sale of non-current assets	(4,522)
(9,080)		**(6,748)**

TECHNICAL NOTES TO THE ACCOUNTS

The following notes are more technical in nature and provide additional accounting detail supporting the primary statements and notes.

22. ADJUSTMENTS BETWEEN ACCOUNTING 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.

2015-16	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions 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 (CIES):						
Charge for depreciation of non-current assets	5,852	6,438	-	-	-	(12,290)
Revaluation (gains)/losses on Property Plant and Equipment	(116)	(1,111)	-	-	-	1,226
Movements in the market value of Investment Properties	(1,254)	(55)	-	-	-	1,309
Amortisation of intangible assets	244	9	-	-	-	(253)
Revenue expenditure funded from capital under statute	2,254	-	-	-	-	(2,254)
Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	127	2,444	-	-	-	(2,571)
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(295)	-	-	-	-	295
Capital expenditure charged against the General Fund and HRA balances	(2,979)	-	-	-	-	2,979

2015-16	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Contributions Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	(1,417)	(809)	-	-	2,226	-
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(1,879)	1,879
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain on disposal to the CIES	(174)	(4,348)	4,522	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(6,584)	-	-	6,584
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	704	-	(704)	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation from the HRA	-	(6,438)	-	6,438	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(4,972)	-	4,972

2015-16	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 26)	8,606	600	-	-	-	(9,206)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,828)	(631)	-	-	-	5,459
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NDR income credited to the CIES is different from council tax and NDR income calculated for the year in accordance with statutory requirements	2,598	-	-	-	-	(2,598)
Total adjustments	**9,322**	**(3,901)**	**(2,765)**	**1,466**	**347**	**(4,469)**

2014-15 Comparative figures	**Usable Reserves**					
	General Fund Balance £000	**Housing Revenue Account £000**	**Capital Receipts reserve £000**	**Major Repairs Reserve £000**	**Capital Contributions 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 (CIES):						
Charge for depreciation of non-current assets	5,624	5,952	-	-	-	(11,576)
Revaluation (gains)/losses on Property Plant and Equipment	322	(22,468)	-	-	-	22,146
Movements in the market value of Investment Properties	(2,518)	-	-	-	-	2,518
Amortisation of intangible assets	236	5	-	-	-	(241)
Revenue expenditure funded from capital under statute	4,157	-	-	-	-	(4,157)
Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	19	3,204	-	-	-	(3,223)
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(434)	(210)	-	-	-	644
Capital expenditure charged against the General Fund and HRA balances	(1,093)	(3,313)	-	-	-	4,406

2014-15 Comparative figures	**Usable Reserves**					
	General Fund Balance £000	**Housing Revenue Account £000**	**Capital Receipts reserve £000**	**Major Repairs Reserve £000**	**Capital Contributions Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Contributions Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	(1,282)	(600)	-	-	1,882	-
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(1,914)	1,914
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain on disposal to the CIES	(208)	(6,990)	7,198	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(6,138)	-	-	6,138
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	615	-	(615)	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation from the HRA	-	(5,952)	-	5,952	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,489)	-	5,489

2014-15 Comparative figures	**Usable Reserves**					
	General Fund Balance £000	**Housing Revenue Account £000**	**Capital Receipts reserve £000**	**Major Repairs Reserve £000**	**Capital Contributions Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES (see note 26)	7,144	435	-	-	-	(7,579)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,784)	(615)	-	-	-	5,399
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and NDR income credited to the CIES is different from council tax and NDR income calculated for the year in accordance with statutory requirements	759	-	-	-	-	(759)
Total adjustments	**8,557**	**(30,552)**	**445**	**463**	**(32)**	**21,119**

23. UNUSABLE RESERVES

31 March 2015 £000		31 March 2016 £000
127,905	Revaluation Reserve	159,839
1,157	Available for Sale Financial Instruments Reserve	859
388,045	Capital Adjustment Account	392,936
(95,139)	Pensions Reserve	(76,350)
(1,361)	Collection Fund Adjustment Account	(3,959)
(239)	Accumulated Absences Account	(239)
420,368		**473,086**

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.

2014-15 £000			2015-16 £000
70,012	**Balance at 1 April**		127,905
63,644	Upward revaluation of assets	36,803	
(3,546)	Downward revaluation of assets not charged to the Surplus on Provision of Services	(1,854)	
60,098	Surplus on revaluation of non-current assets not posted to the Surplus on Provision of Services		34,949
(1,583)	Difference between fair value depreciation and historical cost depreciation	(2,354)	
(622)	Accumulated gains on assets sold or scrapped	(661)	
(2,205)	Amounts written off to the Capital Adjustment Account		(3,015)
127,905	**Balance at 31 March**		**159,839**

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 CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2014-15 £000			2015-16 £000
361,782	**Balance at 1 April**		388,045
	Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
(11,576)	Charge for depreciation of non-current assets	(12,290)	
22,146	Revaluation gains on Property Plant and Equipment	1,226	
(241)	Amortisation of intangible assets	(253)	
(4,157)	Revenue expenditure funded from capital under statute	(2,254)	
(3,223)	Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	(2,571)	
2,949			(16,142)
2,205	Adjusting amounts written out of the Revaluation Reserve		3,015
5,154	Net written out amount of the cost of non-current assets consumed in the year		(13,127)
	Capital financing applied in the year:		
6,138	Use of the Capital Receipts Reserve to finance new capital expenditure	6,584	
5,489	Use of the Major Repairs Reserve to finance new capital expenditure	4,972	
1,914	Use of capital grants and contributions to finance new capital expenditure	1,879	
644	Provision for the financing of capital investment charged against the General Fund and HRA balances	295	
4,406	Capital expenditure charged against the General Fund and HRA balances	2,979	
18,591			16,709
2,518	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,309
388,045	**Balance at 31 March**		**392,936**

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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014-15 £000		2015-16 £000
(70,583)	**Balance at 1 April**	(95,139)
(22,376)	Remeasurements of the net defined benefit liability	22,536
(7,579)	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(9,206)
5,399	Employer's pensions contributions and direct payments to pensioners payable in the year	5,459
(95,139)	**Balance at 31 March**	**(76,350)**

Collection Fund Adjustment Account

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

2014-15 £000		2015-16 £000
(602)	**Balance at 1 April**	(1,361)
(759)	Amount by which council tax and non-domestic rates income credited to the CIES is different from income calculated for the year in accordance with statutory requirements	(2,598)
(1,361)	**Balance at 31 March**	**(3,959)**

24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The table below shows the total amount of capital expenditure incurred in the year 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.

2014-15 £'000		2015-16 £'000
220,159	*Opening Capital Financing Requirement*	226,976
	Capital Investment	
13,486	Operational assets	13,780
7,476	Non-operational assets	9,794
289	Intangible assets	304
0	Long Term Investments	50
4,157	Revenue Expenditure Funded from Capital under Statute	2,254
	Sources of finance	
(252)	Specific Capital Grants	(808)
(6,138)	Capital Receipts	(6,584)
(1,662)	Contributions	(1,071)
(5,050)	Direct Revenue Financing and MRP / VRP	(3,274)
(5,489)	HRA Major Repairs Reserve	(4,972)
226,976	***Closing Capital Financing Requirement***	**236,449**
6,817	*Movement during the year* Increase in underlying need to borrow (unsupported by government financial assistance)	9,473

25. LEASES

Council as Lessee

Finance leases

The Council has acquired a number of assets under finance leases. They are included on the Balance Sheet at the following net amounts:

2014-15 £'000		2015-16 £'000
2,303	Council Dwellings	2,491
10,209	Other Land & Buildings	10,049
12,512		**12,540**

The Council paid premiums at the start of the property leases and there are no more payments due.

Council as Lessor

Finance leases
The Council has leased out a number of investment 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 operational property under operating leases primarily for the provision of social housing and community services such as sports facilities. It also leases out investment property under operating leases.

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

2014-15 £'000		2015-16 £'000
7,131	Not later than one year	7,402
28,605	Later than one year and not later than five years	26,940
297,483	Later than five years	290,239
333,219		**324,581**

The lease payments receivable in 2015-16 were £7,850,369 (£7,359,112 in 2014-15).

26. 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 defined benefit 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 in the long term.

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Board of Surrey County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Board and consist of eleven investment fund managers plus private equity fund managers.

The principal risks to the Council of the scheme are the longevity of members, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The scheme is a multi-employer plan. Employers are required by regulation to meet the minimum contributions as set out in the Rate and Adjustments Certificate for the relevant actuarial valuation. For 2015-16 this would be the valuation carried out as at March 2013.

If another entity was to be unable to meet required funding commitments to the Fund and no suitable guarantee was available, either in the form of a bond or a charge on assets or a parent organisation, then any deficit would be spread across existing fund employers.

If the Council were to withdraw from the scheme, the fund actuary would carry out a cessation valuation to calculate its plan liabilities and assets. Any deficit on this valuation would need to be recovered through a final contribution to the fund. Any surplus would not be recoverable.

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:

2014-15 £000		2015-16 £000
	Comprehensive Income & Expenditure Statement	
	Service Cost	
4,507	Current service cost	5,994
55	Past service cost (including curtailments)	156
4,562	**Total Service Cost**	**6,150**
	Financing and Investment Income and Expenditure:	
(5,673)	Interest income on plan assets	(4,812)
8,690	Interest cost on defined benefit obligation	7,868
3,017	**Total Net Interest**	**3,056**
7,579	**Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**9,206**
	Remeasurement of the Net Defined Liability comprising	
(12,269)	Return on plan assets excluding amounts included in net interest	3,216
36,419	Actuarial (gains)/losses arising from changes in financial assumptions	(22,735)
(1,774)	Other experience	(3,017)
22,376	**Total remeasurements recognised in Other Comprehensive Income (OCI)**	**(22,536)**
29,955	**Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**(13,330)**
	Movement in Reserves Statement	
(7,579)	Reversal of net charges made to the Surplus or Deficit on the provision of services for post employment benefits in accordance with the code	**(9,206)**
	Actual amount charged against the General Fund Balance for pensions in the year:	
5,399	**Employers' contributions payable to scheme**	**5,459**

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

2014-15 £000		2015-16 £000
149,992	Fair value of employer assets	152,372
(241,339)	Present value of funded liabilities	(225,305)
(3,792)	Present value of unfunded liabilities	(3,417)
(95,139)	**Net Liability arising from Defined Benefit Obligation**	**(76,350)**

Reconciliation of the Movements in the Fair Value of the Scheme Assets:

2014-15 £000		2015-16 £000
131,804	Opening fair value of the scheme assets	149,992
5,673	Interest income	4,812
	Remeasurement gain	
12,269	Return on plan assets excluding amounts included in net interest	(3,216)
5,399	Contributions from employer	5,459
1,326	Contributions from employees into the scheme	1,371
(6,479)	Benefits paid	(6,046)
149,992	**Closing Fair Value of Scheme Assets**	**152,372**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2014-15 £000		2015-16 £000
202,387	Opening fair value of the scheme liabilities	245,131
4,507	Current service cost	5,994
8,690	Interest cost	7,868
1,326	Contributions from scheme participants	1,371
	Remeasurement gain	
36,419	Actuarial (gains)/losses arising from changes in financial assumptions	(22,735)
(1,774)	Other	(3,017)
55	Past Service Cost	156
(6,479)	Benefits paid	(6,046)
245,131	**Closing Fair Value of Scheme Liabilities**	**228,722**

.**Pension Scheme Assets Comprised**:

Asset Category	31-Mar-16 Quoted Prices in Active Markets £(000s)	31-Mar-16 Prices not quoted in Active markets £(000s)	31-Mar-16 Totals £(000s)	31-Mar-16 %	31-Mar-15 Quoted Prices in Active Markets £(000s)	31-Mar-15 Prices not quoted in Active markets £(000s)	31-Mar-15 Totals £(000s)	31-Mar-15 %
Equity Securities:								
Consumer	12,240	-	12,240	8%	11,235	-	11,235	8%
Manufacturing	9,315	-	9,315	6%	8,123	-	8,123	5%
Energy and utilities	4,281	-	4,281	3%	4,914	-	4,914	3%
Financial Institutions	10,890	-	10,890	7%	9,609	-	9,609	6%
Health and Care	5,370	-	5,370	4%	5,276	-	5,276	4%
Information Technology	8,252	-	8,252	6%	7,164	-	7,164	5%
Other	224	-	224	0%	-	-	-	0%
Debt Securities								
Corporate Bonds (investment grade)	6,518	-	6,518	4%	5,459	-	5,459	4%
Corporate Bonds (non-investment grade)	405	-	405	0%	603	-	603	0%
UK Government	-	-	-	0%	3,377	-	3,377	2%
Other	203	-	203	0%	1,395	-	1,395	1%
Private Equity								
All	-	6,061	6,061	4%	-	5,628	5,628	4%
Real Estate								
UK Property	3,990	5,205	9,195	6%	4,222	5,244	9,466	6%
Overseas Property	-	1,195	1,195	1%	-	72	72	0%
Investment Funds and Unit Trusts								
Equities	39,664	-	39,664	26%	43,689	-	43,689	29%
Bonds	16,350	-	16,350	11%	14,020	-	14,020	9%
Hedge funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	18,873	-	18,873	12%	17,298	-	17,298	12%
Derivatives								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	1	-	1	0%	(21)	-	(21)	0%
Foreign Exchange	(919)	-	(919)	(1%)	(118)	-	(118)	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents								
All	4,254	-	4,254	3%	2,802	-	2,802	2%
Totals	139,911	12,461	152,372	100%	139,047	10,944	149,991	100%

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 2013.

The main financial assumptions used in their calculation have been:

2014-15		**2015-16**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5 years	Men	22.5 years
24.6 years	Women	24.6 years
	Longevity at 65 for future pensioners:	
24.5 years	Men	24.5 years
26.9 years	Women	26.9 years
2.4%	**Rate of Inflation (CPI)**	2.2%
3.8%	**Rate of increase in salaries***	3.7%
2.4%	**Rate of increase in pensions**	2.2%
3.2%	**Rate for discounting scheme liabilities**	3.5%

*** Salary increases are assumed to be 1.5% until March 2017, reverting to the long term assumption shown thereafter.**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all the other assumptions remain constant. The assumptions in longevity for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2014-15.

Change in Assumptions at 31 March 2016	**Approximate % increase to Employer**	**Approximate monetary amount (£000)**
0.5% decrease in Real Discount rate	11%	24,149
1 year increase in member life expectancy	3%	6,862
0.5% increase in the Salary Increase Rate	3%	7,147
0.5% increase in the Pension Increase Rate	7%	16,645

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service pension schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying £5,293,000 contributions to the scheme in 2016-17.

The weighted average duration of the defined benefit obligation for scheme members is 18.9 years.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £76.4 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.

27. CONTINGENT LIABILITIES

MMI Ltd may claim an amount of up to £517,000 in relation to the company's liability for asbestos induced mesothelioma claims arising on the Council's liability account. During 2012-13 the directors of MMI Ltd triggered the scheme of arrangement, with an initial levy rate of 15%. A further levy of 10% was raised in 2015-16. The Council has paid both of them. There may be further levies at some time in the future, but there is no indication of when or how much.

A firm of commercial property agents has made an application for 80% mandatory charitable relief from business rates on behalf of two local NHS trusts. The application demands a discount for the 2016-17 financial year and also a rebate covering the previous six years which, if approved would amount to a cost of approximately £6.1 million for the Council. In the past NHS trusts have been considered as public sector-funded organisations rather than charities, partly because they have boards of directors rather than trustees and on these grounds the application has been rejected. Over 100 Councils have received similar letters and the Local Government Association has taken legal advice over the issue and believes the Councils have grounds to reject the applications. It may be that a test case through the courts may be required before this issue is fully resolved.

28. FINANCIAL INSTRUMENTS

A financial instrument (asset or liability) is a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity. They are held in the balance sheet date at their carrying value.

For each class of financial assets and financial liabilities, the Council is required to disclose the fair value of that class of assets and liabilities compared with the carrying amount (amortised cost).

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The fair value of a financial asset is the price that would be received if it were sold.

The fair value of a financial liability is the price that would be paid to transfer it to another participant of equal credit standing.

Fair values are detailed below, split by their level in the fair value hierarchy:

- level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, for example, bond prices. Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

- level 2 – where market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value, the fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, for example, interest rates or yields for similar instruments

- level 3 – fair value is determined using unobservable inputs, for example, non-market data such as cash flow forecasts or estimated creditworthiness

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council. It can be represented by a contractual obligation to deliver cash, financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

Financial liabilities held at the balance sheet date consist of long-term loans with the Public Works Loan Board (PWLB), loans from other local authorities, bank overdraft and trade payables for goods and services received.

The financial liabilities disclosed in the balance sheet are analysed across the following categories:

FINANCIAL LIABILITIES	Long-term		Short-term	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Borrowing				
Loans at amortised cost				
- Principal sum borrowed	203,355	198,585	34,730	15,230
- Accrued interest	-	-	234	74
- Internal charities	-	-	27	31
Total Borrowing	**203,355**	**198,585**	**34,991**	**15,335**
Loans at amortised cost				
- Bank overdraft	**-**	**-**	581	51
Total Cash Overdrawn	**-**	**-**	**581**	**51**
Trade payables (Creditors)	**-**	**-**	2,974	3,051
TOTAL FINANCIAL LIABILITIES	**203,355**	**198,585**	**38,546**	**18,437**

The total short-term borrowing includes £230,000 (£230,000 in 2014-15) representing the short-term portion of long-term borrowing (repayable within 1 year).

The short-term creditors line on the balance sheet include £22.512 million (£17.662 million in 2014-15) short-term creditors that do not meet the definition of a financial liability.

All non-derivative financial liabilities are carried in the balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- loans borrowed by the council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- the fair values of other long-term loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2016
- no early repayment or impairment is recognised for any financial instrument
- the fair value of short-term instruments, including trade payables, is assumed to approximate to the carrying amount.

Financial Liabilitites	**Fair value level**	**Balance sheet 31 March 2015 £'000**	**Fair value 31 March 2015 £'000**	**Balance sheet 31 March 2016 £'000**	**Fair value 31 March 2016 £'000**
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	193,585	201,305	193,355	204,825
Other long-term loans	2	5,000	5,000	10,000	9,838
TOTAL		**198,585**	**206,305**	**203,355**	**214,663**
Liabilities for which fair value is not disclosed		113,525		114,315	
TOTAL FINANCIAL LIABILITIES		**312,110**		**317,670**	
Recorded on balance sheet as:					
Long-term borrowing		198,585		203,355	
Other long-term liabilities		95,139		76,350	
Short-term creditors		3,051		2,974	
Short-term borrowing		15,335		34,991	
TOTAL FINANCIAL LIABILITIES		**312,110**		**317,670**	

The liabilities for which fair value is not disclosed comprise of short-term financial liabilities that are assumed to be approximate to the carrying amount, including both short-term borrowing and trade payables. Other long-term liabilities relates to the pension scheme liability.

The fair value of long-term PWLB loans held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans at the balance sheet date. The reverse is true of other long-terms loans payable.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

There are four classifications for financial assets under the Code of Practice

- loans and receivables
- available for sale
- fair value through profit and loss
- unquoted equity investments held at cost because it is impracticable to determine fair value.

<u>Loans and Receivables (fixed or determinable payments and are not quoted in an active market)</u>

These comprise:

- cash in hand
- bank current and deposit accounts with HSBC
- fixed term deposits with banks and building societies
- loans to other local authorities

- trade receivables for goods and services delivered.

The Council's portfolio of investments, at the balance sheet date, consist of fixed term deposits, call accounts and notice accounts and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment.

<u>Available for sale financial assets (those that are quoted in an active market)</u>

These comprise:
- money market funds and other collective investment schemes
- certificates of deposit and covered bonds issued by banks and building societies
- treasury bills and gilts issued by the UK Government
- bonds issued by multilateral development banks and UK companies
- pooled funds

The Council's investments, at the balance sheet date, consisted of money market funds, corporate bonds, covered bonds, certificates of deposit, and pooled funds, including Payden Sterling Reserve Fund, CCLA property fund, M&G, SWIP, Schroders, City Financials, UBS and Funding Circle.

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 a change in value.

The Council did not have any investments required to be measured at 'fair value through profit or loss', or any unquoted equity investments.

The financial assets disclosed in the balance sheet are analysed across the following categories:

FINANCIAL ASSETS	Long-term		Short-term	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Investments				
Loans and Receivables				
- Principal sum at amortised cost	9,500	-	69,670	69,027
- Accrued interest	-	-	311	176
Available-for-sale investments				
- Principal sum	15,512	8,139	37,645	27,670
- Accrued interest	38	11	132	127
- Fair value adjustments	-	-	-	-
Total Investments	**25,050**	**8,150**	**107,758**	**97,000**
Cash and Cash Equivalents				
Loans and Receivables				
- Cash	-	-	7	5
- Cash equivalents at amortised cost	-	-	3,052	3,033
- Accrued interest	-	-	-	-
Available-for-sale investments				
- Cash equivalents at fair value	-	-	9,741	6,049
- Accrued interest	-	-	4	-
Total Cash and Cash Equivalents	**-**	**-**	**12,804**	**9,087**
Trade receivables (Debtors)	955	468	5,116	5,738
TOTAL FINANCIAL ASSETS	**26,005**	**8,618**	**125,678**	**111,825**

The short-term debtors line in the balance sheet includes £2.096 million (£4 million in 2014-15) short-term debtors that do not meet the definition of a financial asset.

Financial assets classified as available for sale are carried in the balance sheet at Fair Value. For most assets, including bonds, treasury bills, and shares in money market funds and other pooled funds, the fair value is taken from the market price (level 2 in the table below). The fair values of other instruments have been estimated using the net present value of the remaining contractual cash flows as at 31 March 2016, using the following methods and assumptions:

- certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity
- shares in Surrey Save credit union have been valued from the company's balance sheet net assets and adding expected future profits, discounted at a suitable market rate for similar equity investments (level 3 in the table below)

Financial assets classified as loans and receivables are carried in the balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- the fair values of other long-term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2016
- no early repayment or impairment is recognised for any financial instrument
- the fair value of short-term instruments, including trade receivables, is assumed to approximate to the carrying amount.

Financial assets	Fair value level	Balance sheet 31 March 2015 £'000	Fair value 31 March 2015 £'000	Balance sheet 31 March 2016 £'000	Fair value 31 March 2016 £'000
Financial assets held at fair value:					
Money market funds	1	6,048	6,048	9,745	9,745
Bond, equity and property funds	1	14,397	14,397	19,167	20,706
Corporate, covered and government bonds	2	11,652	11,652	23,331	23,237
Shares in unlisted companies	3	-	-	50	50
Financial assets held at amortised cost:					
Long-term loans to local authorities	2	-	-	9,500	8,985
TOTAL		**32,097**	**32,097**	**61,793**	**62,723**
Assets for which fair value is not disclosed		88,295		89,309	
TOTAL FINANCIAL ASSETS		**120,392**		**151,102**	
Recorded on balance sheet as:					
Long-term debtors		468		955	
Long-term investments		8,150		25,050	
Short-term debtors		5,738		5,116	
Short-term investments		97,000		107,758	
Cash and Cash Equivalents		9,036		12,223	
TOTAL FINANCIAL ASSETS		**120,392**		**151,102**	

The fair value of short-term financial assets including trade receivables (debtors), and short-term investments as loans and receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised costs is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to sell off and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. The only item offset on the balance sheet is the bank overdraft, which is shown within cash and cash equivalents. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments consist of the following items:

2014-15					2015-16			
Financial Liabilities (at amortised cost) £000	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for sale £000**	**Total £000**		**Financial Liabilities (at amortised cost) £000**	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for sale £000**	**Total £000**
5,149	-	-	5,149	Interest expense	5,473	-	-	5,473
5,149	**-**	**-**	**5,149**	**Total expense in Surplus on the Provision of Services**	**5,473**	**-**	**-**	**5,473**
-	(459)	(710)	(1,169)	Interest income	-	(633)	(1,106)	(1,739)
-	**(459)**	**(710)**	**(1,169)**	**Total income in Surplus on the Provision of Services**	**-**	**(633)**	**(1,106)**	**(1,739)**
-	-	(716)	(716)	(Gains)/losses on revaluation	-	-	298	298
-	**-**	**(716)**	**(716)**	**(Surplus)/loss arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	**-**	**-**	**298**	**298**
5,149	**(459)**	**(1,426)**	**3,264**	**Net (gain)/loss for the year**	**5,473**	**(633)**	**(808)**	**4,032**

Transaction Costs

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the CIES over the life of the instrument. Where these costs are considered to be immaterial, they can be charged in full to the CIES in the financial year in which they are incurred. The Council adopted this latter approach in 2015-16.

29. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the council approves a treasury management strategy (TMSS) before the 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 follow to manage these risks.

The TMSS includes an Annual Investment Strategy in compliance with the CLG Guidance on Local Government Investments. This Guidance emphasises that priority is given to security and liquidity, rather than yield. The council's TMSS, together with its treasury management practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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 cash available to contracted payments on time
- market risk – the possibility that an unplanned financial loss might arise as a result of changes in market variables such as interest rates or equity prices.

Credit risk: Investments

The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality and in line with the approved TMSS (the definition of high credit quality is set in the TMSS). These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings, or with a credit rating of below A-, where the Council has received independent investment advice. We have set our high credit quality criteria as A-, however we do have allowance in our TMSS to invest in counterparties below this.

Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swaps and equity prices when selecting commercial entities for investment.

The TMSS also imposes a maximum sum the Council can invest with a financial institution or group other than the UK government. This is £10 million maximum, of which only £6 million may be on unsecured investments. The Council sets limits on investments in certain sectors. A maximum sum for long-term investments (greater than 364 days) is also set.

All investments in 2015-16 were in line with the Council's approved TMSS.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the balance sheet date that this was likely to materialise.

The credit quality of £15.279 million of the council's investments is enhanced by collateral held. This is entirely in the form of covered bonds collateralised by residential mortgages. This collateral significantly reduces the likelihood of the council suffering a loss on these investments.

The table below summarises the credit risk exposures of the council's investment portfolio by credit rating:

Investment type	Credit rating	Long term		Short term	
		31 Mar 16 £000	31 Mar 15 £000	31 Mar 16 £000	31 Mar 15 £000
Investments	AAA	15,500	7,000	1,617	-
	AA+	9,660	1,107	3,006	2,040
	AA	-	-	2,009	15,500
	AA-	-	-	27,109	20,000
	A+	-	-	5,009	6,000
	A	-	-	35,084	22,000
	A-	-	-	5,791	8,085
	BBB+	-	-	2,322	2,489
Unrated building societies	n/a	-	-	4,013	4,000
Money Market Funds	AAA	-	-	9,745	6,042
Call Accounts	AA-	-	-	3,053	3,034
Investment Funds	n/a	-	-	21,635	16,588
Total Investments		**25,160**	**8,107**	**120,393**	**105,778**

Trade Receivables

The Council does not generally allow credit for customers. Of the total debt outstanding, £2.8 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:

31 March 2015 £000		31 March 2016 £000
1,795	Less than six months	856
201	Six months to one year	128
810	More than one year	818
2,806		1,802

The Council’s credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has access to borrowing facilities via the Public Works Loans Board (PWLB) and other local authorities and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

The Council is exposed to the risk that it will need to refinance a significant proportion of its borrowing at the time of unfavourable interest rates. The Council’s strategy is to plan carefully when new loans are taken out and making early repayments where financially advantageous. The risk is also managed by maintaining a spread of fixed rate loans ensuring loans mature at different times.

The Council would only borrow in advance of need where there is a clear business case for doing so.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2015 £'000		31 March 2016 £'000
	Short Term Borrowing	
15,230	Less than one year	34,730
	Long Term Borrowing	
230	Over 1 but not over 2 years	10,230
5,690	Over 2 but not over 5 years	690
65,230	Over 5 but not over 10 years	30,000
45,000	Over 10 but not over 15 years	35,000
25,000	Over 15 but not over 20 years	25,000
57,435	Over 20 but not over 30 years	57,435
213,815	**Total Borrowings**	**193,085**

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

Market risk: Interest rate risk

The Council is exposed to risks arising from movements in interest rates on its borrowing and investments. Movement in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the investments will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the CIES.

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in fair value of fixed rate investments classed as “available for sale” are reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits for fixed and variable interest rate exposures.

If interest rates had been 1% higher (all other variables being constant) the financial effect across the whole portfolio would be an increase in interest received of approximately £1.57 million, and an increase in interest payable on loans of approximately £2.5 million.

Market Risks: Price Risk

The market prices of the Council’s fixed bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. We limit our exposure to pooled property funds to help mitigate this risk. If commercial property prices fall, it would not impact on the General Fund until the investment was sold.

The Council’s investment in a pooled equity fund is subject to the risk of falling share prices. If share prices fall, there would be no impact on the General Fund until the investment was sold.

30. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Although there is a degree of uncertainty about future levels of funding for local government the Council has determined that this uncertainty does not indicate that the assets of the Council might be impaired. The factors taken into account in concluding that the Council continues to be a going concern include our level or reserves, level of committed funding, budget and cash for the coming years, and the lack of proposed local government reorganisation.

Critical judgement has been used in identifying how assets are classified on the balance sheet. In particular, some assets that we hold to earn rental income are also held for economic development and regeneration purposes. However, as they are not used in the direct delivery of services they have been classified as investment property.

Also, some assets that are held for their historical interest are classified as property, plant and equipment rather than heritage assets because they are also used to provide a particular service.

Critical judgement is also used in classifying our leases as either operating or finance leases.

The Council has determined that a materiality level of £1 million is appropriate for inclusion of accounting policies and disclosure notes in the Statement of Accounts.

31. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2015-16 and earlier years, in their proportionate share. A provision of £13.7 million, of	If the level of successful appeals varies by 1%, it would increase or decrease the appeals provision by £282,000, which in turn would increase or decrease the deficit on the Collection Fund by £282,000. The Council's share of the increase or decrease would be £112,800, which would increase or decrease the surplus on provision of services in the

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
	which the Council's share is £5.5 million, has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. The provision has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date.	CIES.
Property, Plant and Equipment (PPE) and Investment property	PPE and investment property are included in the balance sheet at fair value of £668 million and £117 million respectively. Chartered surveyors are engaged to provide expert advice in the assumptions to be applied when carrying out the valuations. 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 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.	If the valuations were changed by 1%, it would increase or decrease the value of net assets on the balance sheet by £7.7 million. 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 adjustment between accounting basis and funding basis under regulations.
Pensions Liability	Estimation of the net liability to pay pensions of £76 million 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 £24.149 million. A one-year increase in member life expectancy would result in an increase in the pension liability of £6.862 million. A 0.5% increase in the salary increase rate would result in an increase in the pension liability of

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		£7.147 million and a 0.5% increase in the Pensions increase rate would result in an increase in the pension liability of £16.645 million. During 2015-16, the Council's actuaries advised that the net pension's liability had decreased by £18.789 million. This is as a result of an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns.
Debtors	At 31 March 2016, the Council was owed approximately £12 million. A review of significant balances suggested that an allowance for doubtful debts of £4.3 million 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 £1.2 million to set aside as an allowance.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016-17 Code:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016-17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015-16 Statement of Accounts.

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the year-end of 31 March 2016. The Accounts and Audit (England) 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 2015-16 and the Service Reporting Code of Practice 2015-16, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure (debtors and creditors)

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

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

3. Accounting practice for Council Tax and Business Rates

Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The council tax and business rate income included in the CIES is the accrued income for the year, which consists of :

- The Council's council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and

- The Council's share of the actual council tax and business rate surplus or deficit on the Collection Fund at the end of the current year, adjusted for the Council's share of the surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS on the General Fund balance.

The Council as billing authority recognises a creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of receiving the cash from council tax payers and business rate payers.

4. Cash and Cash Equivalents

Cash represents cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours; for example call accounts. Cash equivalents are highly liquid investments that are convertible to known amounts of cash within 24 hours and with insignificant risk of change in value, and include money market funds.

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

5. Material 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 (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated by the Council on a prudent basis and determined in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example cars) for current employees and are recognised as an expense for services in the year in which employees render 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 Surplus or 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. They are charged on an accruals basis to the appropriate service in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-employment Benefits

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 – that is 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 3.5% (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 the following components:

- Service cost comprising:
    - current service cost - the increase in liabilities as result of years of service earned this year – allocated in the CIES to the services for which the employees worked

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

- Re-measurements comprising:
    - the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability) – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Surrey County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

8. Events after the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Financial Instruments

A Financial Instrument (assets or liabilities) is a contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Financial Liabilities
A financial liability is an obligation to transfer economic benefits controlled by the Council. It can be a contractual obligation to deliver cash or financial assets to another entity and are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions.

They are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Council's loans, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets
A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The Council uses two types of financial asset:

- 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.

The valuation applied to fixed term cash deposits is their carrying value, as these assets cannot be sold and hence there is no market valuation.

<u>Loans and Receivables</u>
Loans and receivables are recognised on the Balance Sheet when the Council enters a contractual provision of a financial instrument. They are initially measured at fair value, and subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The Council's investments are presented in the Balance Sheet as the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the investment agreement.

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

Any gains and losses that arise on the de-recognition of an asset are taken to the Financing and Investment Income and Expenditure line in the CIES.

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Council enters a contractual provision of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 (for example dividends) is credited to the CIES when it becomes receivable by the Council.

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

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

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

Where assets are identified as impaired because of a likelihood that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment line of the CIES.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

10. 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

Amounts recognised as due to the Council are not credited to the CIES 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 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 CIES.

Where capital grants or contributions are credited to the CIES, 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 to fund capital expenditure.

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.

11. Heritage Assets

The Council holds various heritage assets, which are held and maintained principally for their contribution to knowledge and culture. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. The Council's heritage assets are accounted for as follows:

- Monuments, including Guildford Castle and Chilworth Gunpowder Mills

These assets are ruins for which it is not possible to obtain a current valuation. They are held on the balance sheet at historical cost, i.e. the cost of capitalised works carried out to preserve the buildings, and are not subject to depreciation as they have indefinite lives.

- the art collection held at Guildford House Gallery, and civic regalia held at the Guildhall

Insurance values have been used as a proxy for fair value. The assets are not depreciated because they have indeterminable lives.

- various sculptures and pieces of artwork around the Borough

These assets are held on the balance sheet at historical cost and are not subject to depreciation as they have indeterminable lives.

- the museum collection held at Guildford Museum

The Council does not consider that reliable cost or valuation information can be obtained for the museum collection because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example when an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 16 in this summary of significant accounting policies.

12. Investment Property

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

The value of an investment property is initially measured at cost. Thereafter, it is measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES 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).

13. 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 CIES with the expenditure it 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 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.

14. 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. There are no further liabilities on any of the leased assets because premia were paid at the inception of the leases.

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 CIES 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 (for example 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 CIES, and any premium received is credited to the CIES, as part of the gain or loss on disposal.

The accounting treatment is the same as for PPE disposals described in policy 16: Property, Plant and Equipment: Disposals and Non-current Assets Held for Sale.

Operating Leases
Where the Council grants an operating lease for an item of PPE or an investment property, the asset is retained in the Balance Sheet. Rental income is credited to the CIES on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

15. Overheads and Support Services

The costs of overheads and support services are allocated in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-16 (SeRCOP). 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 SeRCOP and accounted for as separate headings in the CIES, as part of Net Expenditure on Continuing Services.

16. 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 CIES 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.

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

- infrastructure, community assets and assets under construction - historical cost (depreciated as appropriate)
- dwellings - current value, determined using the basis of existing use value for social housing
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the 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 CIES in which case it is credited to the CIES.

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 CIES.

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 or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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. 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 CIES also as part of the gain or loss on disposal (that is 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, 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, and where it is necessary to ensure materially correct depreciation charges, the components are depreciated separately. The Council's policy is to consider for componentisation all assets (excluding land) with a value greater than £1 million and where the component(s) comprise more than 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.

17. 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 CIES in the year that the Council becomes aware of the obligation. They are 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 CIES. 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 CIES.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example 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 where it is probable that there will be an inflow of economic benefits or service potential.

18. 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 CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

19. 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 CIES 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.

20. 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.

21. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are catagorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

2014-15 £000		NOTE	2015-16 £000
	Income		
	Gross Rent Income	1	
29,711	Dwellings		30,142
844	Non-dwellings		856
1,361	Charges for Services and Facilities		1,295
359	Supporting People Grant		300
32,275	**Total Income**		**32,593**
	Expenditure		
4,366	Repairs and Maintenance		4,753
5,006	Supervision and Management		5,140
150	Increased Provision for Bad or Doubtful Debts		150
5,952	Depreciation	8	6,438
105	Debt Management Expenses		85
13	Other Expenditure		9
15,592	**Total Expenditure**		**16,575**
(16,683)	**Net Income of HRA Services per Comprehensive Income & Expenditure Statement**		**(16,018)**
(22,462)	Exceptional item: Revaluation gain	9	(1,165)
233	HRA Share of Corporate & Democratic Core		242
(38,912)	**Net Income of HRA Services**		**(16,941)**
(3,798)	Gain on sale of HRA fixed assets		(1,928)
(179)	HRA Investment Income		(333)
5,077	Interest payable		5,173
(600)	Capital grants and contributions		(808)
(38,412)	**(Surplus) for year on HRA services**		**(14,837)**

The HRA income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this is different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2014-15 £000			2015-16 £000
2,500	Balance on the HRA at the end of the previous year		2,500
38,412	Surplus for the year on the HRA Income and Expenditure Account	14,837	
(30,552)	Adjustments between accounting basis and funding basis under statute (see note 22 to the Accounts)	(3,901)	
	Net increase before transfers to reserves	10,936	
(7,860)	Transfers to reserves (see note 13 to the Accounts)	(10,936)	
-	Increase in year on the HRA		-
2,500	**Balance on the HRA at the end of the current year**		**2,500**

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 £602,374 or 2.01% of gross rent income from dwellings (£533,044 or 1.81 per cent for 2014-15). Average rents were £112.51 per week in 2015-16, an increase of £3.04 over the previous year.

2. Rent Arrears

At 31 March 2016, rent arrears were £1,189,776 (including £419,520 former tenant arrears) or 3.98% of gross rent income. The comparable figures for 2014-15 were £944,060 (including £335,216 former tenant arrears) or 3.2% of gross rent income.

The provision for bad debts at 31 March 2016 was £693,114. The comparable figure for 2014-15 was £570,165.

Amounts written off in the year amounted to £27,051 (£53,439 in 2014-15).

3. Housing Stock

The Council was responsible for managing on average 5,222 dwellings in 2015-16, analysed below:

2014-15	Average	2015-16
2,612	Houses	2,623
2,285	Flats	2,281
316	Bungalows	318
5,213		**5,222**

2014-15		2015-16
5,229	Stock at 1 April	5,199
(26)	Less Sales	(23)
(4)	Other Adjustments	69
5,199	**Stock at 31 March**	**5,245**

4. 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 January 2016.

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:

31 March 2015 £000		31 March 2016 £000
434,441	Dwellings (valued at EUV - SH)	473,733
3,769	Other Operational Land and Buildings (valued at MV - EU)	3,352
6	Vehicles, plant, furniture and equipment	5
83	Infrastructure	76
148	Community Assets (historic cost)	148
6,813	Assets under construction	43
445,260	**Total HRA Assets**	**477,357**

5. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at January 2016 was £1,307 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.

6. Major Repairs Reserve (MRR)

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

2014-15 £000		2015-16 £000
1,607	**Opening Balance at 1 April**	2,070
5,952	Depreciation transferred from the HRA	6,438
(5,489)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(4,972)
2,070	**Closing Balance at 31 March**	3,536

7. Capital Expenditure and Financing

The table below shows the total amount of capital expenditure incurred in the year together with the resources that have been used to finance it. Where capital expenditure has not been financed in the year, it results in an increase in the Capital Financing Requirement.

2014-15 £'000		2015-16 £'000
196,664	*Opening Capital Financing Requirement*	196,664
	Capital Investment	
5,916	Council dwellings	5,258
5,730	Assets under construction	2,351
19	Intangible assets	26
	Sources of finance	
(600)	Specific Capital Grants	(808)
(2,263)	Capital Receipts	(1,855)
(5,489)	Major Repairs Reserve	(4,972)
(3,313)	New Build Reserve	-
(210)	Voluntary revenue provision	-
	Appropriations	
210	Land	-
196,664	***Closing Capital Financing Requirement***	**196,664**

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £4.348 million.

8. Depreciation

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

2014-15 £000		2015-16 £000
5,872	Dwellings	6,376
72	Other Operational Land and Buildings	54
1	Vehicles, plant, furniture and equipment	1
7	Infrastructure	7
5,952	**Total HRA Assets**	**6,438**

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.

9. Revaluation gain

The value of council dwellings increased by £34 million in 2015-16, due to rising house prices. Most of this increase was recognised in the Revaluation Reserve, but £1 million has been credited to the HRA to reverse the remaining revaluation loss recognised in 2010-11 when the vacant possession adjustment factor used in the valuation of council dwellings was reduced from 45% to 32% in accordance with guidance published by the Government in January 2011. Most of this loss was reversed in 2014-15, when £22 million of that year's revaluation gain of £67 million was credited to the HRA.

10. Contributions to/from the Pensions Reserve

The HRA share of the contributions to the Pensions reserve is as follows:

2014-15 £000		2015-16 £000
435	Reversal of items relating to retirement benefits debited to the HRA	600
(615)	Employer's pensions contributions and direct payments to pensioners payable in the year	(631)
(180)	**Contribution to the Pensions Reserve**	**(31)**

COLLECTION FUND

2014-15 £000 Council Tax	2014-15 £000 Business Rates		2015-16 £000 Council Tax	2015-16 £000 Business Rates
		Income		
	81,246	Income from Business Ratepayers - Note 2		82,685
87,222		Council Taxes	89,790	
		Distribution of prior year estimated deficit:		
	271	Central Government		
	54	Surrey County Council		
	217	Guildford Borough Council		
87,222	**81,788**	**Total Income**	**89,790**	**82,685**
		Expenditure		
		Precepts		
63,604		Surrey County Council	66,870	
11,259		Surrey Police and Crime Commissioner	11,836	
9,216		Guildford Borough Council	9,730	
		Payment of Business Rates shares:		
	38,722	Central Government		40,084
	7,744	Surrey County Council		8,017
	30,977	Guildford Borough Council		32,067
	636	Transitional Protection payments		(17)
	238	Charge to General Fund for collecting NDR		235
500		Provision for council tax bad debts	500	
	149	Provision for business rates bad debts		150
	5,569	Provision for business rates appeals		6,320
		Distribution of prior year estimated surplus:		
		Central Government		959
1,027		Surrey County Council	1,773	192
182		Surrey Police and Crime Commissioner	314	
148		Guildford Borough Council	257	767
85,936	**84,035**	**Total Expenditure**	**91,280**	**88,774**
		Collection Fund Balance		
1,281	(1,859)	Balance at the beginning of the year	2,567	(4,106)
1,286	(2,247)	Surplus/(deficit) for the year	(1,490)	(6,089)
2,567	**(4,106)**	Balance at the end of the year	**1,077**	**(10,195)**

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 they are consolidated with the other accounts of the Council on an agency basis.

The overall balance on Fund as at 31 March 2016 was a deficit of £9.118 million, made up of a Council Tax surplus of £1.077 million and a deficit in relation to business rates of £10.195 million.

The year-end Collection Fund surplus in relation to council tax is distributed between billing (the Council) and precepting (Surrey County Council and Surrey Police and Crime Commissioner) authorities on the basis of estimates of the year-end balance made on 15 January.

The year-end Collection Fund deficit in relation to business rates is distributed between billing and precepting (central government and Surrey County Council) authorities on the basis of year-end estimates made on 31 January.

2. Income from Business Rates

The Council collects non-domestic rates for its area. These rates are based on local rateable values (£197,075,174 as at 31 March 2016) multiplied by a uniform rate (49.7p standard and 48.4p small business rate in 2015-16). Local authorities retain a proportion of the total collectable rates due. For Guildford this share is 40%. The remainder is distributed to central government (50%) and Surrey County Council (10%).

3. Income from Council Tax

The Council's tax base, that is 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	2.25	5/9	1.25
A	615.95	6/9	410.63
B	1,781.40	7/9	1,385.53
C	8,004.30	8/9	7,114.93
D	12,675.50	9/9	12,675.50
E	8,653.15	11/9	10,576.07
F	5,944.70	13/9	8,586.79
G	6,823.35	15/9	11,372.25
H	1,550.25	18/9	3,100.50
	46,050.85		**55,223.46**
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, exempt properties and the Local Council Tax Scheme			(397.70)
			54,825.76

4. Collection Fund Provisions

The movement of the council tax bad debt provision during the year was as follows:

2014-15 £'000		2015-16 £'000
232	Balance at 1 April	805
500	Transfer from revenue	500
73	(Write offs)/write backs	(569)
805	Balance at 31 March	**736**

The movement on the business rates bad debt provision was as follows:

2014-15 £'000		2015-16 £'000
717	Balance at 1 April	866
149	Transfer from revenue	150
-	Write offs	(292)
866	Balance at 31 March	**724**

The movement on the business rates appeals provision was as follows:

2014-15 £'000		2015-16 £'000
3,900	Balance at 1 April	8,228
5,569	Transfer from revenue	6,320
(1,241)	RV list amendments	(842)
8,228	Balance at 31 March	**13,706**

GLOSSARY

Accrual – the recording of income and expenditure when it becomes due rather than when the cash is paid or received.

Accruals basis – accounting for income or expenditure when it becomes due rather than when the cash is paid out or received.

Appropriations – amounts transferred to or from revenue or capital reserves.

Balance Sheet – a statement which shows the value of the Council's assets and liabilities on a specific day. The final accounts show the value of the assets and liabilities as at 31 March.

Business Rates Retention Scheme – introduced by the Government in April 2013, the scheme means that each council retains some of the business rates generated in its area. The Government still controls the rateable value of the properties and the rate in the pound to be paid.

Capital commitment – a commitment to make a capital payment under a contract.

Capital expenditure – expenditure to purchase or construct a fixed asset, or expenditure adding to the value of an existing fixed asset. Expenditure that does not enhance an asset, such as repairs and maintenance expenditure, is not capital expenditure.

Capital Financing Requirement (CFR) - the monies required to finance capital expenditure.

Capital Receipt – relates to the money from the sale of a fixed asset. Capital receipts can only be used to pay for new capital expenditure or to repay outstanding loans. Capital receipts cannot be used to finance revenue expenditure.

Cash Equivalents – these are short term, highly liquid investments that are readily convertible into cash. They are subject to an insignificant risk of a change in value.

Cash Flow Statement – this shows the movement in cash and cash equivalents in the year.

Chartered Institute of Public Finance and Accountancy (CIPFA) – this is the professional organisation for accountants working in the public sector.

Code (The) – the Code of Practice on Local Authority Accounting in the United Kingdom. This is the code produced by CIPFA/LASAAC that sets out how Councils should show transactions in their accounts and the format of the accounts.

Collection Fund Revenue Account – this shows the transactions relating to national non-domestic rates (NNDR) and council tax. This fund shows on whose behalf Guildford Borough Council collects the amounts due and how these monies are distributed.

Comprehensive Income and Expenditure Statement (CIES) – this shows all the income and expenditure in the year.

Contingency – an amount of money set aside for unforeseen items of expenditure.

Depreciation – a reduction in the balance sheet value of a fixed asset due to either wearing out, consumption, or other reduction in its useful economic life, whether arising from use, passage of time or obsolescence, through technological or other changes.

Earmarked Reserve – money set aside for future use on a specific area of expenditure.

Financial Asset – a right to future economic benefits controlled by the Council.

Financial Liability – an obligation to transfer economic benefits controlled by the Council.

Financial Instrument – a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

Financial Year – the year that the accounts relate to. The financial year starts on 1 April and ends on 31 March the following year.

General Fund (GF) – the Council's main revenue fund credited with charges, grants etc. and to which the costs of services are charged. However, separate accounts are maintained for other aspects of Council activities, particularly the Collection Fund.

Heritage Assets – assets which are held and maintained principally for their contribution to knowledge and culture. These include monuments such as Guildford Castle, civic regalia at the Guildhall, the art collection at Guildford House Gallery, sculptures and artwork around the Borough and the museum collection at Guildford Museum.

Housing Revenue Account (HRA) – an account used to record the income and expenditure related to council housing. The Housing Revenue Account is ring-fenced from the rest of the General Fund. This is to ensure that the expenditure on managing tenancies and maintaining council houses is funded by rents charged to council tenants.

Housing Revenue Account Income and Expenditure Statement – this shows the income and expenditure relating to the provision of council housing.

Impairment – a reduction in the balance sheet value of a fixed asset.

International Accounting Standard (IAS) – these are the international accounting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

International Financial Reporting Standards (IFRS) - these are the international financial reporting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

Internal Borrowing – Internal borrowing occurs when rather than raising external borrowing to pay for capital expenditure, the Council uses cash, which would otherwise be externally invested.

Investment – a long-term investment is an investment held for use on a continuing basis in the activities of the Council for 365 days or more. A short-term investment relates to the investment of surplus funds for 364 days or fewer.

Investment Property – a property that is used to earn rental income.

LASAAC – Local Authority (Scotland) Accounts Advisory Committee.

Lease – a lease is a contract for the hire of a specified asset. The lessor owns the asset but transfers the right to use the asset to the lessee for an agreed period in return for the payment of specified rentals. A **finance lease** transfers all the risks and rewards of ownership, such as the cost of repairs and maintenance, to the lessee. All other leases are classified as **operating leases**.

Lessee – an organisation to whom a lease is granted.

Lessor – the owner of an asset who leases it to a third party

Local Council Tax Support Scheme (LCTSS) - introduced by the Government in April 2013. Under the LCTSS, council tax payers who previously received a benefit payment, now receive a discounted council tax bill instead.

Long term – a term of 365 days or more.

Minimum Revenue Provision (MRP) – the minimum amount which must be charged each year to the Council's General Fund revenue account and set aside as provision for credit liabilities. There is no MRP requirement for the Housing Revenue Account (HRA).

Movement In Reserves Statement (MIRS) – this shows the movement in the year on the different reserves held by the Council.

Out-turn – actual income and expenditure.

PPE – Property, Plant and Equipment i.e. tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used for at least part of the succeeding financial year.

Precept – a charge levied by a council. Precepts are levied by Guildford Borough Council, Surrey County Council, Parish Councils and the Surrey Police and Crime Commissioner.

Provision – an amount, set aside in the accounts, for likely liabilities incurred but where the amounts or dates on which they will arise are uncertain.

Prudential Code – a code produced by CIPFA that Councils are required to follow when deciding upon their programme for capital expenditure.

Revenue expenditure – the day-to-day costs incurred by the Council. This is distinct from capital expenditure.

Right to Buy – the right of council tenants to buy their council houses at a discount.

S106 income – money received from planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended).

Short term – a term of 364 days or fewer.

Straight line basis – depreciation that is charged on a straight line basis is charged in equal amounts for each year of the useful economic life of the fixed asset.

Trade payables – amounts owed to third parties when goods or services have been received but not yet paid for

Trade receivables – amounts due from third parties where goods or services have been supplied

Unapplied capital receipts – capital receipts which have not been used.

Usable reserves – those that the Council can use to finance expenditure or reduce local taxation.

Unusable reserves – these cannot be used to finance expenditure or reduce local taxation. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts only become available if the assets are sold; and reserves that hold timing differences.

Vacant Possession Adjustment Factor - a vacant possession adjustment factor of 32% means that the Council values its council houses at 32% of their open market value in the Balance Sheet. The percentages used are set by central government. The vacant possession adjustment factor is used to reflect that a council owned property has a lower open market value when it is occupied by a tenant.

ANNUAL GOVERNANCE STATEMENT 2015-16

1. SCOPE OF RESPONSIBILITY

1.1. Guildford Borough Council is responsible for ensuring that it conducts its business 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, alongside the Council's Constitution, a local code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government, including compliance with the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) . A copy of the code is on the website at www.guildford.gov.uk or can be obtained from Corporate 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 meets the requirements of regulation 4) of the Accounts and Audit Regulations 2015 in relation to 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 2016 and up to the date of approval of the statement of accounts.

3. GOVERNANCE FRAMEWORK

3.1 The Council is a complex organisation with an appropriately comprehensive governance framework that works in a dynamic environment and keeps its processes under constant review.

Strategic Framework and Performance Management

3.2 The Governance arrangements start with the Strategic Framework, which sets out the Vision and Mission and establishes the Council's key priorities. In October 2015, the Council approved a Corporate Plan for the period 2015-2020, which can be found on the Council's website http://www.guildford.gov.uk/corporateplan. The Corporate Plan is an essential part of our strategic framework and sets out the vision for the borough for the next five years.

3.3 The Corporate Plan has five themes, which have informed the more detailed service plans. The five themes provide a focus for Council activities and there is a clear link between service delivery and the Council's corporate objectives. We monitor progress against the objectives through regular performance monitoring reports to the Corporate Management Team. The five themes are:

- Our Borough
- Our Economy
- Our Infrastructure
- Our Environment
- Our Society

3.4 In February 2015 the Council implemented a new programme and project management system. All projects, whether in the corporate plan or service level projects, are now captured within the system which allows risks and performance to be captured at an individual project level and reported either by project or at summary level.

3.5 We have embedded risk management within the organisation. It is an integral part of project management on each project. The format of the risk register conforms to the latest guidance from ALARM, the public sector risk management association.

3.6 We record risks at all levels from the basic, but essential, health and safety risks such as slips, trips and falls to high level-risks such as the impact of the financial situation and climate change. We publish a financial risk register to risk assess the Council's budget as part of our annual budget book and medium term financial plan. The financial risk register informs the level of general fund unallocated reserves that the Council holds.

3.7 Risk Management is an integral part of project management and we use risk management effectively in all of our significant projects. However, we do not currently apply risk management consistently in all of our smaller projects. This will be the subject of a review in the first part of 2016-17.

3.9 We recognised this was an issue and we have reviewed our project management framework. We had already identified a framework that tailors the project management process to the scale of the project but we needed a formal programme management framework to monitor the wide range of projects and activities which are needed to deliver the targets in the Corporate Plan. This was introduced in April 2015 and training has been rolled out to all project management staff during 2015-16.

3.10 The Council has always scored well under the External Auditor's annual assessment of Value for Money. In 2015-16, we continued with our Lean Management Programme and Fundamental Service Reviews (FSRs) to improve services and reduce costs. Over the coming years every service will be subject to a FSR and its associated scrutiny and improvement. The FSR reviews will actively look at alternative methods of service delivery through the Lean programme, shared services and partnerships with the public, voluntary or commercial sectors.

3.11 We have already started to transfer some administrative tasks into the Customer Service Centre as the first point of contact and resolution. This has released resources in the front line services to concentrate on technical and professional activities.

3.12 Our achievements against the 2013-2016 Corporate Plan are stated on page 11 of the 2015-2020 Corporate Plan, overall the Council completed or is on track to complete 89% of the targets its set out to achieve in the Corporate Plan between 2013 and 2016. In addition, the Council has maintained its strong financial performance, including its Aa1 credit rating with Moody's. Our performance over the period 2013 to 2016 demonstrates the Council's sound governance arrangements.

The Constitution

3.13 The Council has a comprehensive Constitution that covers, amongst other things, the roles and responsibilities of Councillors and officers. We constantly review the Constitution with amendments agreed and issued throughout the year to ensure that it remains relevant to the objectives contained in the Strategic Framework.

3.14 We completed a major review of the Constitution in 2014-15. In November 2015, the Corporate Governance and Standards Committee approved changes to the disciplinary procedures for senior officers (following a change in legislation) and other minor amendments to the Constitution. The Executive approved a new corporate procurement strategy in April 2015 and approved the establishment of a Corporate Procurement Advisory Panel to enhance the governance arrangements and consistency of procurement processes across the Council. We have also undertaken a series of training sessions on procurement for service managers. The procurement panel has met several times during 2015-16.

3.15 In November 2014, following a motion to Council, the Joint Scrutiny Committee set up an overview and scrutiny task and finish group which reviewed the Council's governance arrangements. Council approved the findings from the review in July 2015 and re-established a task and finish group to establish the detailed changes required. The task and finish group's proposals were adopted by Council in October 2015 and the Council implemented the new governance arrangements in January 2016. The key changes were that, from January 2016 the Council:

- operates with an Executive which receives advice from two politically balanced Executive Advisory Boards (EABs)
- dissolved the existing scrutiny committees and replaced them with one overview and scrutiny committee. Whilst this Committee has the powers and role prescribed for it by the Local Government Act 2000 (as amended), it will focus on post-decision review of Executive decisions and wider external scrutiny
- recognised the importance of the Corporate Governance and Standards Committee and expanded its role to include treasury management and budget monitoring
- improves communication with ward Councillors
- improves public awareness of the decision-making processes at the Council and its governance arrangements.

3.16 In July 2015, the then Leader of the Council asked the Monitoring Officer to conduct a review of the Council's Procedures for dealing with allegations of misconduct by Councillors and Co-opted Members (Constitution Part 5). Hoey Ainscough Associates Ltd were instructed to undertake an independent review of the Council's procedures. The review found that the high-level process is broadly in line with processes seen elsewhere, however, a number of recommendations were raised relating to guidance on implementation and communication of the process. The Corporate Governance and Standards Committee considered the findings of the review at their meeting in November 2015 and established a working group to review and implement the recommendations. The working group reported back to the Corporate Governance and Standards Committee at its meeting in March 2016 and also to Council in April 2016.

3.17 The main recommendations of the working group (which will continue to meet to finalise and implement the recommendations) were:-

- The protocol for Independent persons be revised
- guidelines and a policy for communications be established; together with guides for the complainant and councillor against whom a complaint is made;
- assistance to political groups/group leaders as regards any statements relating to standards and the private capacity of councillors;
- a protocol with the Police where a complainant alleges criminal behaviour;
- the redrafting of the Council's Arrangements for dealing with allegations of misconduct by councillors and co-opted member to incorporate the Report and the work described in the preceding paragraphs; and that such redrafting might usefully include a separate version of the Arrangements containing only those elements relevant to allegations of misconduct by parish councillors

Forward Plan and Committee Decisions

3.18 We use the Forward Plan to manage the work programme and decisions of the Executive and full Council. The work programme for the two EAB's and overview and scrutiny committee are discussed at agenda setting meetings held every two months with the Chairs and Vice-Chairs of the board or committee.

Overview and Scrutiny Committee

3.19 The Committee was established in January 2016 and (subject always to its formal powers and role prescribed by the LGA 2000) has the power to scrutinise decisions or actions in relation to both the Executive and Non-Executive functions of the Council, including decisions taken by officers under delegation. . The Committee can also undertake reviews and in-depth investigations in order to provide advice and recommendations. In general, the Overview and Scrutiny Committee undertakes the following activities:

- Scrutinising the decisions of the Executive and non-Executive functions throughout the decision-making process.

- Contributing to policy development by examining performance and policy outcomes against local service need and provision.
- Reviewing council services to ensure they are achieving customer satisfaction, value for money delivering performance and meeting standards.
- Reviewing how effectively the council delivers services with external agencies.
- Appointing sub-committees to fulfil overview and scrutiny functions;
- Undertaking investigations into such matters relating to the Council's functions and powers as:
    - (i) may be referred by the Council/Leader/Executive; or
    - (ii) Has been referred to the committee because of the councillor "call-in" procedure set out in the Overview and Scrutiny Procedure Rules in Part 4 of the Constitution

Corporate Governance and Standards Committee

3.20 Following enactment of the Localism Act 2011, the Standards Committee and Audit Committee were disbanded and a new committee known as the Audit and Corporate Governance Committee was established. In May 2014, the Committees were further re-organised and the committee with responsibility for audit and accounts, corporate governance and ethical standards is now known as the Corporate Governance and Standards Committee. The role and functions of the committee include:

Audit and Accounts activity

- monitoring internal audit activity and receiving bi-annual reports from the Executive Head of Organisational Development
- receiving reports from the external auditor, including his annual letter
- review and approve the annual statement of accounts
- review and recommend to Executive / Council the treasury management strategy
- receive treasury management monitoring reports
- receive budget monitoring reports

Corporate Governance activity

- monitoring and reviewing the Council's constitution
- corporate governance, risk management, statement on internal control and any issues referred to it
- compliance with the Council's own and published standards
- receiving an annual report regarding complaints about the Council referred to the Local Government Ombudsman
- monitoring the effectiveness of various Council policies

Ethical Standards activity

- implementing, monitoring and reviewing the operation of codes of conduct for Councillors and Officers
- promoting and maintaining high standards of conduct by Councillors and co-opted members
- investigating and determining allegations of misconduct where determination by the Monitoring Officer is considered inappropriate

The full role and responsibilities are available on our website, at Part 2 (Article 11) of the Constitution.

3.21 We advise the committee, through a regular reporting process, of progress against agreed internal audit recommendations and other governance issues such as equalities, risk management, sickness, health and safety, business recovery and data quality.

Compliance with Laws and Regulations

3.22 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.

3.23 The Managing Director undertakes both the statutory roles of Head of Paid Service and Chief Finance Officer. The arrangement of one officer performing both roles is unusual but not unique. The Managing Director is supported by two Deputy Chief Finance Officers so that where a conflict of interest could exist, the Managing Director assumes the role of Head of Paid Service, and one of the Deputy Chief Finance Officers assumes the role of the Chief Finance Officer. In this arrangement, the Council ensures separation of duties exists where necessary and the governance framework is maintained.

3.24 The Corporate Management Team, led by the Managing Director (Head of Paid Service and Chief Finance Officer), reviews all reports to the Executive. The Director of Corporate Services is the Council's Monitoring Officer and Deputy Head of Paid Service. The director is part of the Corporate Management Team and is supported by two Deputy Monitoring Officers so that in the event that the Director is asked to assume the role of Head of Paid Service, one of the two Deputy Monitoring Officers will assume the role of Monitoring Officer to prevent any conflict of interest. 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.

3.25 During 2015-16 there were 13 complaints to the Local Government Ombudsman of which 4, all relating to planning, were upheld, the ombudsman deemed that there had been no injustice in 3 of these upheld cases. The remaining cases were either not upheld, closed after initial enquiries or judged to be either premature or out of the jurisdiction.

Whistleblowing and Complaints

3.26 The Council has a Whistleblowing policy as part of its Constitution.

3.27 In 2014-15, the Council introduced a new corporate complaints process. This has shortened and simplified the process for the customer and improved the timeliness and quality of complaint handling. We have created a new post of Complaints and

Improvement Officer to monitor complaints, identify trends and work with managers to drive service improvements.

Development of Councillors and Senior Officers

3.28 Our Corporate Plan 2015 - 2020 includes a priority of developing our people (councillors and officers) to prepare for the future. All officers (including senior officers) have two performance reviews (appraisals) a year. Officers also have a series of one to one meetings with their line manager to discuss individual performance against agreed targets. This is also an opportunity to identify development needs and training requirements against the Council's objectives.

3.29 Each post has a set of linked behavioural competencies against which staff performance is assessed during the annual performance review.

3.30 The Council also recognises the importance of ensuring that its councillors receive all necessary training and development in order to carry out their various roles. In September 2013, the Council received accreditation under the South East Employers Charter for Elected Member Development by demonstrating that we had a strategic approach to councillor development, which linked to the Council's corporate objectives and priorities. The Councillor Development Steering Group has put in place a comprehensive member development programme that meets councillors' ongoing training and development needs. The processes and procedures put in place give us a robust framework for responding to future challenges and legislative changes. The Council continues to meet the standard of the Charter as demonstrated recently in our 18-month interim assessment carried out by South East Employers in March 2015.

3.31 We offer training for Councillors on a wide range of topic areas such as Ethical Standards, Planning, Licensing, Overview and Scrutiny, local government finance, media skills, chairing skills and time management.

3.32 During 2015-16 the steering group undertook a comprehensive induction programme for new councillors following the Borough elections in May 2015.

3.33 The Council has adopted a Corporate Plan which clearly set out its aims and objectives over the 2015-2020 period, but they need to be underpinned by a clear set of values that are understood and adhered to by staff at all levels. The work that we have carried out on values and performance and development provides staff with an understanding how they contribute to the achievement of our corporate priorities.

3.34 We successfully retained our IIP Bronze status. We also retained our Customer Service Excellence Standard. The assessor found a deep understanding and commitment to customer service excellence from senior management through to front line staff.

Communication, Consultation and Accountability

3.35 The Council has well-established processes to manage and provide effective communication with residents, businesses, visitors and stakeholders. As part of this, we produce and deliver four editions a year of our Council newspaper, About Guildford, to all households in the borough to update local people about the Council's activities, services and performance. We also use online and social media tools to reach as many people as possible with the latest news and information. The Council provides a comprehensive media service for proactive releases and reactive requests for local, regional and national press, as many residents use online, broadcast and other news sources.

3.36 In addition, we have a corporate procedure for producing individual services' publications for residents and customers to provide information and education (for example, to encourage behaviour changes in recycling and litter). Also to support individual services in their own social media and other communications.

3.37 The Council has a corporate identity, which is used to brand communications and services. This helps customers and taxpayers to understand and recognise which services we provide or are responsible for.

3.38 We are continuing to look at ways to improve customer service and access through our website. We have reviewed the way that our residents are using the website and have started moving towards a self-service model for our report/pay/apply section. We are also continuing to expand our use of social media to improve our customer engagement.

3.39 The Council realises the importance of consultation with our residents and community. We already consult widely in line with our Community engagement strategy and consultation standards using publications, surveys, focus groups and our Citizens' Panel. We recognise the need for greater engagement and involvement with residents and stakeholders in our strategic decision-making and service delivery and are working on an action plan to improve our consultation processes still further.

3.40 Many of our services actively consult with the community as an integral part of their service delivery, for example our widespread consultation on the draft new Local Plan. However, our community is changing and we need to be responsive to their developing needs. We have identified consultation as part of the overall process of transparency and engagement with our residents and customers.

3.41 As part of our commitment to openness and transparency, we have increased the amount of information available on our website. This should reduce the demand from Freedom of Information (FOI) requests.

3.42 During 2015 (our current system reports on calendar rather than financial years) the number of FOI requests received was 672. This was down from the previous year (848).

3.43 We are required to respond to FOI requests within 20 working days. The Information Commissioner sets an informal Minimum Compliance threshold for this target of 85%. In 2014, we achieved 69% due to a significant increase in the number of FOI's received. As a result, we introduced regular reports on performance to the Corporate Management Team and are introducing a new system to manage the process. This has resulted in performance of 81% for 2015 and continued improvement into 2016. During 2015-16, 5 referrals were made to the ICO regarding the Council's responses to FOI requests, of these two cases were closed by the ICO without further investigation, 2 cases were found in the Council's favour and in the remaining case the Council was requested to release previously withheld information.

Partnerships

3.44 Our mission statement emphasises the importance of partnership working in providing first class services. At the strategic level, we established a new Guildford-Surrey Board in September 2013 to replace the former Guildford Local Strategic Partnership. The Board, which comprises senior Councillors and officers from the Borough Council and Surrey County Council, together with representatives of the University of Surrey, Royal Surrey County Hospital. Guildford College and Enterprise M3, focuses on the overseeing the delivery of the following shared priorities:

a. infrastructure improvements, including roads (trunk roads and town centre), rail and future transport innovations

b. economic development, including sustainable business and jobs growth and access to learning and skills

c. promoting sustainable development, including housing

d. delivering public health improvements

e. supporting families and our less advantaged communities, including in the light of welfare and benefit reforms

f. maximising the use of our assets and estates to drive income and community benefit

g. maximising the value extracted from waste.

3.45 At the same time, we established the Guildford Health and Wellbeing Board comprising representatives of the Council and other major public and voluntary sector organisations, such as Guildford and Waverley Clinical Commissioning Group, Royal Surrey County Hospital and Surrey County Council. The Board supports and promotes the public health agenda in its widest sense. This incorporates health improvement (including people's lifestyles, inequalities in health and the wider social influences of health), health protection and health services. The Board is responsible for developing and implementing the Guildford Health and Wellbeing Strategy.

3.46 We have also forged a strong relationship with the Enterprise M3 Local Enterprise Partnership (LEP). The Leader of the Council joined the Board in 2014, and the Council enjoys regular representation at all levels of the LEP through strategic working groups. The Council provided significant input into the formation of the LEP's Strategic Economic Plan and subsequent Local Growth Deal submission and European Funding Investment Strategy. This included formulating a broad and comprehensive growth package for consideration by government covering infrastructure, housing, skills and enterprise.

3.47 Through Enterprise M3, we are able to access capital funding and borrowing at preferential rates for key strategic projects. We have recently:

- been successful in obtaining financial support for the Clay Lane Link road,
- received funding to deliver Walnut Bridge, a key gateway to the town from the station and part of the sustainable movement corridor
- received funding to implement an improved cycle path along the riverside in Guildford
- continue to work with Surrey County Council (as the local transport body) to bid for funding under the Local Growth Fund for schemes set out in our Guildford Transport Strategy

3.48 We are also involved in a large number of service specific partnerships. Examples of best practice include Surrey Strategic Waste Partnership, Safer Guildford Partnership and the Choice-Based Lettings housing scheme.

3.49 The Council worked with Surrey Lifelong Partnership, Oakleaf Enterprise and

Guildford YMCA to establish GLADE (Guildford Learning and Development Enterprise) This is social enterprise was developed to provide training, skills, qualifications and employment opportunities for young unemployed people in Westborough and Stoke. The Council contracts with Glade to provide gardening services on behalf of the Council at day centres, sheltered housing schemes, elderly tenant's homes and street cleansing services in Westborough.

3.50 We also support the Guildford Bike Project, another Social Enterprise, which has a shop in Westborough and a workshop at Woking Road Depot. The bike project provides employment opportunities for jobseekers and is accredited by City and Guilds Centre for training.

3.51 We are looking to build on the success of these two schemes, by continuing to develop new social enterprise partnerships. Most recently, we have supported the establishment of a PC refurbishment business based on the bike project model.

3.52 In response to the Government's current devolution agenda, the Council has actively engaged with other councils across Surrey, East Sussex and West Sussex to explore the opportunities that this presents. We will continue this engagement to ensure that any devolution deal maximises the benefits for our residents.

4. REVIEW OF EFFECTIVENESS

4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

4.2. Internal Audit has conducted an ongoing review of the Council's Corporate Governance processes and carried out audits according to the annual Audit Plan, which was approved by the Corporate Management Team, and the Corporate Governance and Standards Committee. We base the Audit Plan on a risk assessment that provides guidance as to the frequency of audits. It covers four main themes (Financial Control, Asset Management, Management Control and ICT) specifically to address the main concerns of corporate governance.

4.3. Internal Audit has produced an annual report on Corporate Governance, which is an assessment of corporate governance against CIPFA guidelines. They also review 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 2016 was sound.

4.4. We have used all of this activity to inform the Annual Governance Statement.

4.5. We have a Corporate Governance Group that meets quarterly to discuss any governance issues or concerns. The group comprises the Managing Director (as Head of Paid Service), either the Head of Financial Services or Principal Accountant for financial management and projects (as deputy Chief Financial/S151 Officers), the Director of Corporate Services (as Monitoring Officer), the Audit and Performance Manager and the Democratic Services Manager. From June 2016, this group will report, through Statutory Officer reports, to the Corporate Governance and Standards Committee on current issues.

4.6. We also have an Information Security Risk Group to review the Council's information governance and have appointed a senior manager as the Senior Information Risk Owner who is working with a group of officers to improve information security.

4.7. The Corporate Governance and Standards Committee receive reports on progress against the audit plan, activities and findings of Internal Audit, risk management, health and safety, equalities, treasury management, ethical standards, Ombudsman complaints and progress against audit recommendations. It also receives interim and annual reports from Grant Thornton, the Council's external auditors, and is responsible for approving the Council's Statement of Accounts.

5. INTERNAL AUDIT STATEMENT

During 2015-16, internal auditors completed 87 per cent of the audit plan. The shortfall was the result of a number of unplanned audits, which were requested by managers. There were six audits in progress at the end of the year on which we have not yet given an opinion but there are no indications so far of any material or significant issues arising from this work, which would affect this statement. The table below shows assurance levels of the work carried out in the year to 31 March 2015:

Assurance Rating	Number of Audits	
Substantial	16	18%
Reasonable	41	47%
Limited	3	3%
No Assurance	0	0%
No Opinion (one-off projects)	9	10%
Ongoing (Inc. fundamental service reviews)	14	16%
Carried over to 2016-17	4	4%

5.2 Where appropriate the audit report provides management recommendations designed to address weaknesses in the system of internal control. We report the outcomes of these audits to the Corporate Governance and Standards Committee every six months giving councillors an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the auditors. We also update councillors on the progress of recommendations.

5.3 The Council has very high levels of assurance in respect of all its main financial systems and its governance arrangements. The main financial systems, tested in 2015-16 and which feed into the production of the Council's financial statements, achieved substantial or reasonable assurance levels following internal audit reviews.

5.4 Each year the Head of Internal Audit, provides an opinion on the Council's assurance and control framework in her Annual Opinion Report April 2015 to March 2016.

6. SIGNIFICANT GOVERNANCE ISSUES

6.1. This year has been a period of change and there have been ongoing financial pressures. Despite this challenging environment, there have been significant achievements and continuing improvement in the Council's overall governance arrangements. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

6.2. During 201516, we carried out a review of taxi-licensing fees following a history of previous challenges to the accounts and the fees. The review included the data and calculations on which the fees are based. The data quality review found that there were some errors in the methodology and a formula error which changed the feesWhere the need for improvement have been identified they will be actioned by the Licensing team.

6.3. Following a problem with premises licensing in 2014-15 we started a review of the controls and reconciliation processes on all income streams across the Council. The initial review found that not all fees and charges had been agreed and authorised by Council and some were not included fees register. There was another issue with a lease where we found that for a number of years we had not recovered the utility costs from the leaseholder. This is now being rectified. This is an on-going review and forms part of a larger project to identify all income, fees and charges and the true cost of the services. The objective is to create an income map which will not only strengthen our financial governance but which can be used to inform future business decsions.

6.4. In 2015-16 there was one fraud investigation which is currently under police investigation. Although it was disappointing that it occurred the problem was quickly identified through our monitoring and reconciliation controls.

6.5. The Council is not fully compliant with the requirements under the Local Government Transparency Code 2015 for the publication of data, which the code mandates 'must be published'. The Council publishes a majority, rather than all, of the data and is currently unable to meet the requirements for publication of procurement and contract information. The Council recognises the need to improve its transparency by publishing the remaining data and improving the accessibility of the data on its website. The Monitoring Officer has commissioned an internal audit review of the Council's compliance with the Transparency Code and to develop an action plan for full compliance which will be implemented by the corporate procurement advisory panel. Internal Audit will report their findings during 2016-17.

6.6. Due to measures introduced last year, the Council's performance in dealing with Foi requests has continued to improve steadily. The overall performance for 2015 was 81% (up from 69% in 2014) which is below the target performance level set by the ICO of 85%. The Council is in the process of implementing a new FOI case management system which is expected to support continued improvements. Further information is set out in the Council's annual report on Compliance with Information Rights.

6.7. The Openness of Local Government Bodies Regulations, adopted in August 2014, and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 place a requirement on Councils to publish on its website and make available to the public for inspection, reports on decisions taken under authority delegated to Officers or Councillors, where the effect of the decision is to:

(a) grant a permission or license;

(b) affect the rights of an individual;

(c) award a contract or incur expenditure, which in either case, materially affects the Council's financial position.

The Council's process for recording decisions taken under delegated authority is not consistently applied across all services, there is no central library of such decisions and the decisions themselves are not currently reported to a committee of the Council. Where decisions have been properly documented, they are available for public inspection on request; however, the Council does not currently publish delegated decisions on its website. The Corporate Governance Group are reviewing the process for documenting decisions made under delegated authority and will consider how to provide this information on our website and report it to a relevant Committee in future.

6.8. As outlined in paragraph 3.19, the Corporate Governance and Standards Committee is the responsible committee for ensuring ethical standards at the Council, however, its work programme on ethical standards has traditionally been reactive. Officers consider that there is scope to provide the committee with a proactive work programme and that decisions relating to ethical standards, made by the Monitoring Officer under delegated authority within the Council's constitution should be reported to the Committee in line with paragraph 6.8. This will be included in the proposed new statutory officer reports to the corporate governance and standards committee to be introduced in 2016-17.

6.9. The Council has received a petition from a former Councillor requesting that the Council holds a referendum on changing its governance arrangements to have an elected mayor. If the petition is successful, the Council will be required to draw up proposals for the form of governance proposed in the petition so that such a system can be implemented in the event that it is approved in the referendum. If the referendum is successful the change to an elected mayor will mean a significant change in the Council's governance arrangements.

7. ASSURANCE SUMMARY

7.1. Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of our area in an equitable and open way. It recognises the standards of behaviour that support good decision-making: collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.

7.2. From the review, assessment and monitoring work undertaken and the ongoing work of internal audit we have reached the opinion that overall key systems are operating soundly and that there are no fundamental control weaknesses.

7.3. We confirm, to the best of our knowledge and belief, that this statement provides an accurate and fair view.

Signed:

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Leader of the Council on behalf of Guildford Borough Council

Signed:

………………………………………………………………………………………

Managing Director on behalf of Guildford Borough Council