STATEMENT OF ACCOUNTS

2012/13

STATEMENT OF ACCOUNTS

For the year ended 31 March 2013

CONTENTS

EXPLANATORY FOREWORD

INTRODUCTION

The Statement of Accounts for the year ended 31st March 2013 has been prepared and published in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) “Code of Practice on Local Authority Accounting in the UK” and the Accounts and Audit Regulations 2011.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Accounts and an explanation, in overall terms, of the Authority’s financial position. Its purpose is also to assist in the interpretation of the accounting statements.

Budgeted Income & Expenditure

When the budget was set for 2012/13 there was a need for the Authority to identify savings and efficiencies in its operating costs of around £0.6m. A list of efficiencies was compiled, agreed and implemented by making appropriate deductions from the roll forward budgets for services so that the saving would be achieved as long as spending did not exceed the new budget. To ensure good stewardship and improve control, the previous practice of monitoring budgets on a quarterly basis was improved and a monthly monitoring cycle was introduced.

As the Statement of Accounts shows, expenditure for the year on services was £0.7m less than the overall budget. The most high profile item of expenditure in the 2012/13 budget relates to the 2012 Olympics. For a couple of days, the eyes of the world were focused on Mole Valley for the long distance cycling events. Budget provision was made for the Olympics, though the one-off and exceptional nature of the event meant the Council had limited knowledge of what the final cost might be and to what extent others would contribute. A budget of £0.5m, to cover all eventualities, was provided. In the event, due to a combination of astute procurement, extensive use of the Council’s own staff rather than paying for external help and maximisation of income from other contributors – notably LOCOG – the cost came in at only around £50,000. The largest element of the 2012/13 saving is therefore accounted for by the £0.4m difference on this event.

The Council is funded through a combination of council tax, government grants and investment income. The successful collection of 99% of the collectable council tax represents a slight improvement on last year by the Authority’s Revenues Team and puts their performance among the top performers in the country. The Council also received Revenue Support Grant (RSG) as expected. The level of New Homes Bonus, however, was higher than budgeted based on the net number of new homes in the district in the preceding year. The government pays to Authorities the equivalent of the annual council tax, for six years, on each new home as a bonus for increases in the overall housing stock. The recessionary economic climate continued to restrict returns on the Council’s investments to between 1% and 1.5% though the targeted return of £307,000 was exceeded by £35,000 over the course of the year.

Levels of Reserves and Balances

The policy of the Council, on the recommendation of the s151 Officer, is to maintain a specified level of balances, in highly liquid form, to counter emergencies. The stipulated amounts are £1.5m revenue balances and £8m capital.

Revenue balances stood at £2.332m at the beginning of the year and are £2.557m at the end of the year – as the Movement in Reserves statement shows. A transfer from balances was approved by the Council to balance the budget at the beginning of the year, mainly to counter the additional, one-off costs of the Olympics. As already explained, the occasion was successfully organised and supported by the Council at a much reduced cost and the overall revenue underspend has enabled the deduction from balances to be replenished at year-end.

The net cost of services as reported in the Authority's Outturn report on the 25th June 2013 was £9.1m as per the following table and Segmental note 29.2. This shows the General Funds movement for the year of £0.226m.

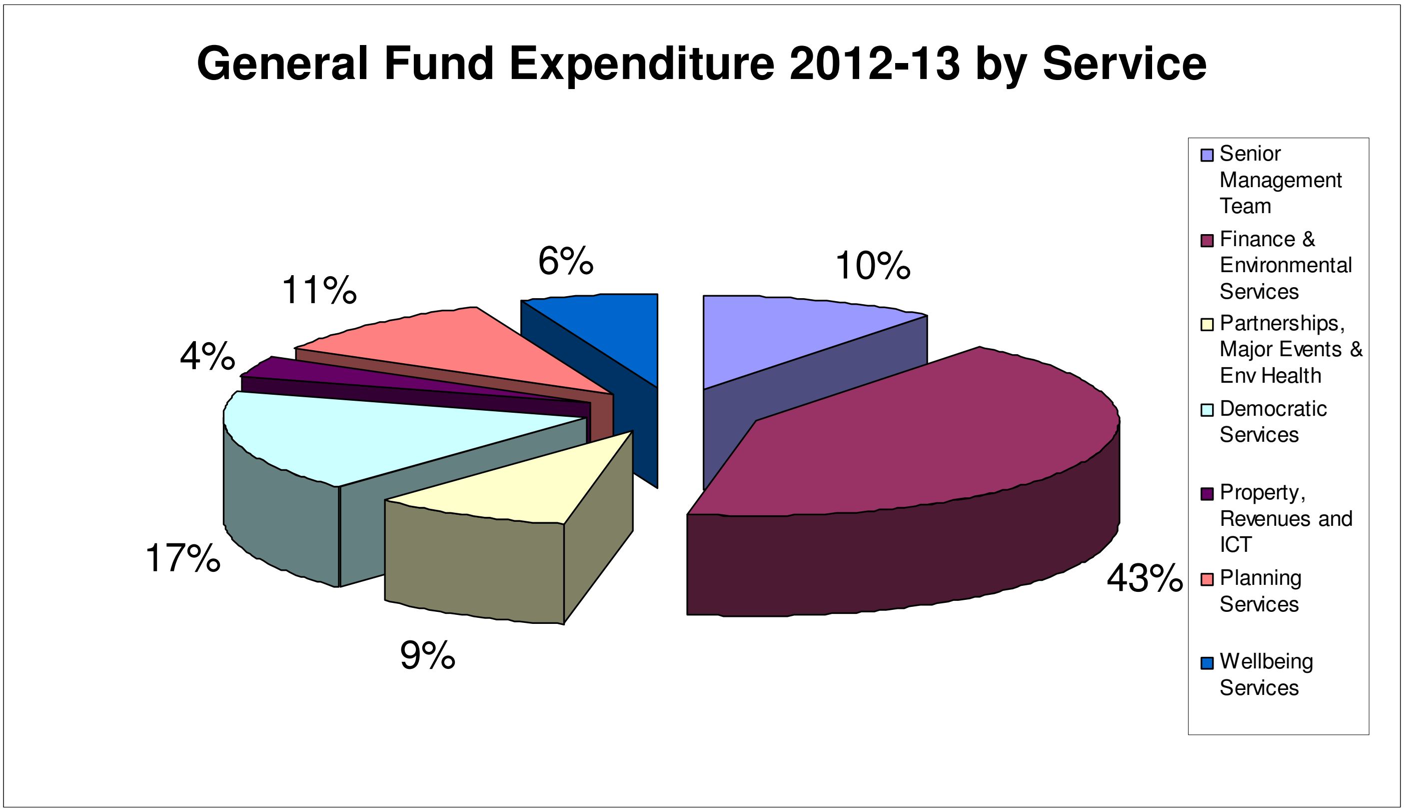
Actuals for 2012/13	£'000
Net Cost of Services	**9,132**
Prior Year Restatement Grants	29
RSG/Formula Grant	2,696
Council Tax	6,187
Council Tax Freeze Grant	154
Collection Fund Adjustment	51
Council Tax Precept Adjustment	-11
New Homes Bonus Grant	324
Other grants	16
Investment and other Interest	379
Total Funding	**9,825**
Transfers to Earmarked Reserves *	**(467)**
Use of Reserves General Fund	**(226)**
Total Funding and General Fund Reserves	**9,132**

The underspend during the year of £0.700m enabled the Authority to make transfers to Earmarked Reserves of £0.467m. These transfers were as follows:-

- £0.200m to the Minor Capital Works fund to enable the Authority to maintain a level of funding for minor works such as boiler replacements and other schemes up to £0.050m
- £0.200m to create a new reserve for funding the early stages of Property schemes that would not result initially in the recognition of a Finance Asset until the Project was fully realised by way of construction or sale.
- £0.067m to set aside an amount for the shortfall on the Pension Fund Reserve and to act as a stabiliser for any potential Fund losses

The Comprehensive Income and Expenditure Statement on Page 20 shows an analysis of the Authority's net cost of Services and it is complemented by Segmental Note 29 (on page 66) to show how the service income and expenditure figures relate to an analysis of the Surplus or deficit on the Provision of Services. The net expenditure figure of £9.1m in the Service Analysis added to other costs, including those not reported to management for decision making, resulted in a net cost of services figure of £17.1m and a net deficit of £5.8m. The Segmental Note also shows the Authority's service income and expenditure in an analysis on how resource allocations have been set by the organisation on the basis of budgeted income and expenditure across the whole Management Structure.

The following pie chart provides an analysis of how the Authority's General Fund Service Expenditure and income was funded during the year.



Capital Expenditure

The expenditure on capital projects during 2012/13 was £2. 882m at year end. Of this, £2.180m was spent on major schemes (over £50,000) and £0.702m on minor works. Major scheme highlights include a new, second cinema screen in Dorking Halls and a refurbished sports pavilion at Brockham Big Field.

It is recognised as good accounting practice for a contribution to be made from the revenue budget each year towards the maintenance and upkeep of capital assets. This has been done in Mole Valley in the past but budgetary pressures have restricted it in recent years. The revenue underspend on the 2012/13 budget enabled this contribution to be reinstated this year and a transfer of £200,000 has been made towards the cost of wear and tear on our capital assets. The five year forward plan envisages that this will, again, feature as part of the annual budget by 2016/17. Having reinstated it in 2012/13, the Council will explore opportunities in the intervening years to continue to make this annual contribution rather than run down its reserves of capital on the ongoing maintenance of assets.

Pension Fund Update

At the end of 2012/13, the Pension Fund Assets and Liabilities for the year were £56.09m (£49.44m at the end of 2011/12) at fair value of Employer Assets and £82.28m (£72.14m 2011/12) present value of defined benefit obligation making a net Deficit of £26.19m (£22.7m 2011/12). This reflects an increase of £6.65m in Assets and a £10.14m increase in Liabilities and a net increase in liabilities over the year of £3.49m.
A fall of 0.3% in the real discount rate used in the Actuarial assumptions indicates an approximate increase to Employer Liability of approximately 6%. Other sensitivities included to measure the scheme's liabilities include:

- Increase in the salary increase rate – higher assumptions result in a higher liability value
- Increases in the Pension increase rate
- Fluctuations in the Consumer Prices index (CPI)
- Real discount rates producing lower than expected bond yields
- Demographic assumptions eg ill health, early retirement and changes in member life expectancy

Looking Forward

The continued economic downturn and Government attempts to reduce public sector spending were influential factors in the decisions taken by the council in relation to setting its 2013/14 budget. Prospects for revenue support grant from the Government look poor, particularly following the Comprehensive Spending Review 2014 – 2017. The level of Council Tax increase is constrained by law and the controls are likely to get tighter.

A major theme of the forward plan and 2013/14 budget is therefore to pursue policies that would help Mole Valley to generate its own funding. The Government has pointed the way in this respect by pinning increased amounts of funding to the level of non domestic rates and new houses that are, to some extent, responsive to the Council's policies and actions. The importance of commercial or residential development in the district to ensure that the Council retains or increases its share of resources distributed through the retention of non domestic rates and the New Homes Bonus was recognised in the budget and reflected in the future funding projections. Other initiatives to generate funds are emerging under the general heading of maximising use of the Council's assets. A variety of land and property based projects have been launched which, over the course of the next 5 to 7 years, are designed to generate significant capital or revenue funding for the Council and ensure its financial stability with or without Government grant support. These projects include developments on the Pippbrook site, the Leatherhead By Pass and relocation of the Depot. The Statement of Accounts shows that a provision of £0.2m has been created for pump priming of these initiatives from savings made in 2012/13. This recognises the fact that, to get such schemes moving, an injection of revenue is often required in the preliminary stages for feasibility studies, research, modelling or surveys.

Alongside the preparation of the 2013/14 budget, other strategic reviews were undertaken to set the Council's direction for the future. These included strategic reviews of car parking, fees and charge principles and the Council's grants to voluntary organisations. Resources were also diverted during the year towards working groups set up to prepare for the Government changes in the Council Tax Support Scheme and the retention of non domestic rates.

Accounting Statements

The main statements contained within the accounts are listed below with a brief explanation of their purpose and inter-relationship.

(i) Comprehensive Income & Expenditure Statement (CIES) – page 20

The CIES consolidates all the gains and losses experienced by the Authority during the financial year. As Local Authorities do not include any equity in their Balance Sheets, these gains and losses should reconcile to the overall movement in net worth. The CIES comprises two sections:-

- The surplus or deficit on the provision of services
- Other CIES – movements such as gains and losses on pension assets and liabilities or changes in the fair value of assets

The Statement also 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.

(ii) Balance Sheet – page 21

The Balance Sheet shows the value at 31 March 2013 of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category is USABLE RESERVES, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is UNUSABLE RESERVES. These cannot be used to provide services. They include reserves that hold unrealisable gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulation”.

(iii) Movement in Reserves Statement – page 22

The Movement in Reserves Statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet under “Usable and Unusable Reserves”. It analyses:

- the increase or decrease in the net worth of the Authority as a result of incurring expenditure and generating income
- the increase or decrease in the movement of the fair value of its assets
- the movements between reserves in order to reduce or increase resources available to the Authority in accordance with statutory provisions

This Statement shows the movement in the year on the different reserves held by the authority, analysed as USABLE RESERVES (i.e. those that can be applied to fund expenditure or reduce local taxation) and UNUSABLE RESERVES. The ‘Surplus (or Deficit) on the Provision of Services’ line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income & Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The ‘Net Increase/Decrease before Transfers to Earmarked Reserves’ line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

(iv) Cash Flow Statement – page 23

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

(v) Collection Fund Statement – page 89

The Collection Fund Statement reflects the statutory obligation for billing authorities to maintain a separate collection fund. It shows transactions in relation to collection from taxpayers and distribution to local authorities and the Government of council tax and non domestic rates

Nick Gray
Strategic Director and Section 151 Officer
26th September 2013

Further information can be found on the Authority's website by following the link below:

http://www.molevalley.gov.uk/index.cfm?articleid=8936

or obtained from:
Nick Gray
Strategic Director
Mole Valley District Council
Authority Offices, Pippbrook
Dorking, Surrey RH4 1SJ

Audit opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE Mole Valley District Council

Opinion on the Council financial statements

We have audited the financial statements of Mole Valley District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Mole Valley District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Mole Valley District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, the Mole Valley District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of the Mole Valley District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Grady
Director

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

[Date]

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authorities Responsibilities

The Authority is required to:

- make arrangements for proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the chief financial officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In this Authority, that officer is the Strategic Director (Section 151 Officer), Nick Gray.

In preparing this Statements of Accounts the Strategic Director has:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that were reasonable and prudent
- Complied with the local Authority Code.

The Strategic Director has also:

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

Certification of Strategic Director and Section 151 Officer

The Statement of Accounts present a true and fair view of the financial position of the Authority as at 31 March 2013 and its income and expenditure for the year ended on that date.

Nick Gray
Strategic Director and Section 151 Officer

Dated 26th September 2013

Councillor Iain Murdoch
Audit Committee (Chair)

Dated 26th September 2013

GOVERNANCE STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL 2013

Scope of Responsibility

This statement is given in respect of the Statement of Accounts for Mole Valley District Council.

I acknowledge my responsibility for ensuring that an effective system of corporate governance is maintained and operated in connection with the resources concerned.

I confirm that the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

I confirm that the full draft version of the Annual Governance Statement included within this Statement of Accounts relates to the governance system as it applied during the financial year for the accounts 2012/13

Signed ______________________________________ Date _______________

Chief Financial Officer, – Nick Gray, Strategic Director

ANNUAL GOVERNANCE STATEMENT 2013

1. Scope of Responsibility

Mole Valley District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must also ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework '*Delivering Good Governance in Local Government'*.

The purpose of this Annual Governance Statement (AGS) is to explain how the Council has complied with the Code. It also meets the requirements of Regulation 4(3) of the Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare an Annual Governance Statement. Where there is scope to improve current arrangements when compared with the Code, the actions have been identified and are contained in the action plan at the end of this Statement.

The Annual Governance Statement underpins the Corporate Plan and other key corporate strategies, including the Medium Term Financial Strategy. It has been prepared with the assistance of the Council's Strategic Management Team (SMT).

The evidence for this Statement is drawn from Council, Executive, Strategic Management Team and Business Unit Managers' work. The work of internal and external audit is also taken into account.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled. It also includes 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 services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide a 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. This enables the Council to evaluate the likelihood of those risks being realised, and the impact should they materialise, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2013 and up to the date of the approval of the Statements of Accounts.

3. The Governance Framework

The Annual Governance Statement provides assurance to the Council's stakeholders, external auditors and assessors, as well as the community, that the Council has put in place good business practices, high standards of conduct and sound governance arrangements. It provides assurance that the processes in place to achieve these are satisfactory and are monitored to ensure continuous improvement.

The key principle of the systems and processes that comprise the Council's governance arrangements are:

Principle 1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

The Council agreed its Corporate Plan 2011 to 2015 in February 2011. It is based around three themes of Access to Services, Environment and Value for Money. The Corporate Plan is refreshed annually to ensure that it remains relevant to the needs of the organisation and the community; the 2013/14 refresh of the Corporate Plan was agreed by Executive in March 2013. Individual business units produce business plans annually which set out what they will be doing to deliver the Corporate Plan. These include key projects, performance indicators and risks to the business units.

The Equality Strategy 2013-18 was agreed by Executive in April 2013 and sets out our equality objectives. These been developed based on the Council's three priority themes.

The Council produces an annual report which highlights its achievements and progress in delivering against its Corporate Plan. This report also highlights the key areas of focus for the forthcoming year.

Progress is reported on a regular basis to the Senior Management Team, Executive and Scrutiny.

Principle 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

Roles and responsibilities for the Council, Executive and Committees, along with officer functions are defined and documented, with clear delegation arrangements and protocols for effective communication within the Council's Constitution. The Constitution is regularly reviewed and updated.

The Council has established policies and procedures to govern its operations. The key elements within these are the Financial Procedure Rules, Procurement Strategy and Contract Standing Orders, Risk Management Policy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, Anti-Bribery Policy, Whistleblowing Code and Human Resources policies. Ensuring compliance with these policies is the responsibility of everyone throughout the Council. These key controls are subject to periodic review, including that by Internal Audit, and are updated to ensure that they are relevant to the needs of the organisation.

Contract Standing Orders set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of fraud or corruption. The Council's Procurement Strategy outlines what good procurement means in Mole Valley and details the supporting framework.

Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council ensures that all agreements entered into are fit for purpose and the council's interests are protected.

Principle 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Codes of Conduct defining the standards of behaviour for members and staff have been developed and communicated and are available on the Council's website and intranet site. These include the Code of Conduct for Officers and Members, Anti Fraud and Corruption Policy and protocols for Officers and Members.

The Standards Committee is responsible for promoting and maintaining a high standard of conduct by Councillors and co-opted Members.

Principle 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Constitution details the rules of procedure that ensure decision making in Mole Valley is legal, transparent and accountable. The Monitoring Officer provides advice on the interpretation and application of the Constitution. An updated version of the Constitution was provided to all Members of the Annual Council in May 2013. This is a live document and is continually updated to reflect changes in legislation.

During 2012/13 a key corporate project was undertaken to review the governance arrangements at Mole Valley. A Member seminar was held in January 2013 and the Council considered the matter in March 2013 where it was decided to retain an Executive structure.

The Council sets its annual budget in accordance with the Corporate Plan and Medium Term Financial Strategy; this is laid before the Executive then Council. Regular budget monitoring takes place throughout the year. This highlights variations and provides information on changes in trends and circumstances.

Throughout 2012/13, regular review of the progress on capital programme projects was undertaken with the involvement of the Strategic Management Team. This review process ensures that funds can be quickly re-allocated to high priority projects that meet corporate objectives.

Scrutiny Committee has an established standing budget panel which engages with the annual budget setting process from July 2013 to its conclusion at the Council Tax setting meeting in February 2014.

Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate the five-year plan, approved by the Strategic Management Team, from which the annual workload is identified. In order to manage risks and maintain a sound system of internal control, our Internal Auditors undertook a series of risk based audits during the year. The reports state that the Council's internal control systems were adequate, and that it is effective in implementing recommendations where problems were found.

The Council is subject to a statutory annual external audit which reports on the Council's Governance, performance and accountancy arrangements. The 2011/12 Annual Audit Letter summarised the results and concluded that significant improvements had been made to address the weaknesses previously identified in internal control. The Authority responded well to the Action Plan that was drawn up by senior management giving priority to address a number of recommendations identified in the Annual Governance Report and to improve the system of internal financial controls. The Action Plan has been included in the 2012/13 Project Management Plan for closure of accounts and a response submitted to our External Auditors following receipt of the Annual Governance Report in September 2012.

The risk management framework has the objective of embedding effective risk management practices at both strategic and operational levels. The Risk Management Policy is reviewed every three years and approved by the Executive. It was last reviewed in January 2012.

The Council reviews its performance indicators on an annual basis to ensure that they remain relevant to the organisation and the community. The Council continued to report performance information to the Strategic Management Team on a monthly basis. Business Managers are challenged if performance does not meet expectations. During 2012/13, regular organisational performance reports were considered by the Executive and Scrutiny Committee.

Principle 5. Developing the capacity and capability of members and officers to be effective

Briefing sessions are regularly programmed to ensure that Members are properly equipped to effectively fulfil their responsibilities in the governance of the council's operations. Mandatory training to equip Members participating in regulatory decisions such as planning and licensing is provided, together with discretionary training such as media handling. A Members Handbook is made available to newly elected Members and an induction programme is held in the first few weeks following the election, supplemented with additional training through the municipal year.

As part of the annual appraisal process, training and development needs of staff are identified and a development plan is drawn up to meet those needs. This includes a programme tailored to the needs of Business Managers.

Principle 6. Engaging with local people and other stakeholders to ensure robust accountability

A key priority for the Council during 2012 was the successful delivery of the Torch Relay which came to Mole Valley on 20th July, and the Olympic cycle road races on 28 and 29 July. This involved a significant degree of co-cooperation with key stakeholders, alongside extensive engagement with residents and businesses to minimise the impact and maximise the enjoyment of this once in a life time opportunity. This was successfully delivered through a variety of means including; on-line engagement, face-to-face meetings, and working with parish councils and residents' associations. 400 volunteers were recruited and trained in partnership with Voluntary Action Mid-Surrey. The 'Big Weekend' celebration was well received by the community.

Engagement with the community and stakeholders is a key focus of the Corporate Plan. All of the Council's functions work with the community, where appropriate, around the delivery and design of what the Council does. Some examples of this include:

- Consultation with residents on designs for playgrounds refurbishment
- Consulting with the community on the development of recycling services
- Using social media such as Twitter, YouTube and Facebook to engage with residents and users. These are an increasingly well-used method of effective communication and our performance is reported monthly to Scrutiny and Executive as part of the monthly Organisational Performance reports.
- Our website is currently ranked 5th in the country (SOCITM) and has recently been awarded 3 stars through 'Better Connected', which identifies good practice in the development of local authority websites based on extensive evidence-based research.
- We continue to improve the way customers can engage with us. For example, work began on improving our e-forms to enable residents to self-serve 24/7. Examples include reporting fly-tipping or abandoned vehicles and getting live updates on progress of the report on-line.
- All our Council and Committee meetings are web-cast.

4. Review of Effectiveness

The governance framework is constantly evolving due to service and regulatory developments and assessments. 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 findings inform the review of the Local Code of Corporate Governance and have fed into this Annual Governance Statement.

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 annual report of Internal Audit and also advice given by the external auditors and other review agencies and inspectorates.

In practice, in addition to the annual review, the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework including the following mechanisms:

- The Head of Paid Service (Chief Executive) has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council keeps the appropriateness of the Constitution under review.

- The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on '*The Role of the Chief Financial Officer in Local Government (2010)*'.

- The Council has in place a Responsible Finance Officer and Deputy under Section 151 of the Local Government Act 1972. The Strategic Director (Section 151 Officer) has statutory responsibility for the proper management of the council's finances. This role ensures lawfulness and financial prudence of decision making, has responsibility for the administration of the financial affairs of the Council and provides advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

- The management of the council's finances within departments is devolved to service managers through the Scheme of Delegation for Financial Authority and Accountability.

- The Financial Services Team provides detailed finance protocols, procedures, guidance and training for managers and staff. The structure of the team ensures segregation of duties and all committee reports are reviewed by the appropriate Finance staff. The structure of reports has been reviewed to ensure s151 commentary is a mandatory element is all reports.

- The Council has a Monitoring Officer who has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by Members are supported by a legal assessment provided by the appropriate officer.

- Corporate Heads are responsible for ensuring that the systems of control used in their functions are robust and that they regularly review their risks.

..

- The Executive makes decisions on strategy and policy as set out in the Terms of Reference in Section 3 of the Constitution.

- The Council has both a Scrutiny Committee and an Audit Committee which have a range of powers as set out in their Terms of Reference as laid down in Part 3 of the Constitution.

- The role of the Audit Committee is set out in the Constitution and one of its key roles is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is a committee comprising seven non executive council members, and oversees the internal audit function and considers all relevant reports of the external auditor.

- The terms of reference for the Audit Committee are prepared in line with '*CIPFA's Audit Committees – Practical Guidance for Local Authorities*' and are reviewed annually whilst undertaking the self assessment into the committee's effectiveness and achievements against its terms of reference.

- The Standards Committee agrees the adoption of the Codes of Conduct and advises the Council on matters relating to the ethical conduct of the Council and its Members as set out in its Terms of Reference in Part 3 of the Constitution.

- Internal Audit monitors the quality and effectiveness of the systems of internal control. The work they undertake forms the basis for the work performed by external audit when assessing the reliance they can place on the system of internal control. The Authority is subject to a statutory Annual Audit which reports on the Council's Governance, performance and accountancy arrangements. RSM Tenon provides the Council's Internal Audit function.

- The reporting process requires the Internal Audit Contract Manager to submit a report for each audit to the relevant manager and Financial Services Manager. The report identifies recommendations for improvements that are included within an action plan to be agreed with the relevant officer. The reporting requirements also include a quarterly report and an Annual Report to Audit Committee giving the Head of Internal Audit's Annual Opinion Statement. The Internal Audit contract includes improvements to monitoring, for example the creation of a set of performance indicators and the introduction of audit quality feedback questionnaires.

- The Authority is subject to a statutory annual External Audit which reports on the Council's Governance, performance and accountancy arrangements.

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

5. Progress to address recommendations from Annual Governance Report 2011/12

The Annual Governance Report 2011/12 made a number of minor recommendations for improving internal controls and addressing other issues.

An Action Plan to address these recommendations has been included in the 2012/13 Project Management Plan for closure of accounts and a response submitted to our External Auditors following receipt of the Annual Governance Report in September 2012.

6. Key successes during 2012/13

- Completed the annual refresh of the Corporate Plan (2011-2015); this ensured it remained relevant to the organisation and community.

- Implemented the regular reporting of the Council's performance and finances to the Executive and Scrutiny committee

- Delivered an improved and streamlined financial process which ensured an efficient and effective closure of the 2011/12 accounts.

- Successfully delivered the 2012/13 Budget.

- Introduced new standards and code of conduct arrangements for Councillors in line with the new requirements of the Localism Act 2011.

- Reviewed the Strategic Risk Register, taking account of current issues facing the organisation; four new risks were identified as threats to the Council's ability to deliver its Corporate Priorities.

Working with partners is key to enabling the Council to deliver its priorities. Our partnership arrangements have continued to mature over the year and, following the review of effectiveness of our governance arrangements, the development of a framework and toolkit is no longer deemed to be the most effective and appropriate way forward to ensure effective governance arrangements are in place. It has been agreed that best practice is for the Partnership and Development Manager, and other officers involved in partnership arrangements, to ensure that the governance arrangements of key partnerships are reviewed on a regular basis to provide assurance that they continue to be fit for purpose. This allows a proportionate approach based on the individual nature of the partnership arrangement.

Review and testing of business continuity plans and review of the Code of Corporate Governance continue to be areas of focus and are included in section 7 below.

7. Significant Governance Issues: Areas of focus for 2013/14

Arising from the comprehensive review of the Council's internal control and corporate governance arrangements, the following areas have been identified for specific focus during 2013/14.

Action	Timescale	Benefits
Review the assurance framework for the Strategic Risk Register	November 2013	To provide assurance to the Council that controls defined in the Strategic Risk Register are in place and operate effectively.
Review Code of Corporate Governance	November 2013	To ensure that the Council is managing corporate governance in line with agreed standards and to provide a mid year update with progress on corporate governance issues.
Review and test Business	March 2014	To ensure that the Council has sound

Action	Timescale	Benefits
Continuity Plans		business continuity arrangements and to improve these based on the outcomes of the tests.
Review, maintain and monitor the Corporate Health & Safety Framework.	March 2014	To ensure the Council is compliant with the legislation and suitably addresses the operational health and safety risks to promote health, safety and wellbeing in the workplace.
HR policies to undergo review	March 2014	To streamline current local conditions/HR Handbook and provide HR policies in a more user friendly, accessible way to managers and employees.

We propose over the coming year to take steps to address the above matters to further enhance the Council's governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and we will monitor the planned implementation and operation as part of our next annual review.

Signed ____ Date ________________

Chief Executive – Yvonne Rees

Signed ____ Date ________________

Leader of the Council – Councillor Chris Townsend

FS1 - Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in 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.

2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net Expenditure £'000		Note	2012/13 Gross Expenditure £'000	2012/13 Gross income £'000	2012/13 Net Expenditure £'000
5,384	(4,539)	845	Central services to the public		5,409	(4,554)	855
4,828	(1,590)	3,238	Cultural and related services		9,335	(2,110)	7,225
7,384	(2,663)	4,721	Environmental and regulatory services		6,979	(2,434)	4,545
2,770	(1,200)	1,570	Planning Services		2,568	(1,459)	1,109
930	(1,666)	(736)	Highways and transport services		1,226	(1,800)	(574)
24,291	(20,479)	3,812	Other housing services		23,066	(21,727)	1,339
1,873	(1,169)	704	Adult social care		1,855	(1,189)	666
1,967	(10)	1,957	Corporate and democratic core		1,855	(3)	1,852
437	0	437	Non distributed costs		90	0	90
49,864	**(33,316)**	**16,548**	**Cost Of Services**		**52,383**	**(35,276)**	**17,107**
175	(1,614)	(1,439)	Other Operating Expenditure	9	172	(1,120)	(948)
6,494	(2,488)	4,006	Financing and Investment Income and Expenditure	10	1,531	(2,157)	(626)
0	(6,367)	(6,367)	Council Tax Grant	11	0	(6,417)	(6,417)
0	(2,244)	(2,244)	NNDR Distribution	11	0	(2,645)	(2,645)
0	(1,800)	(1,800)	Taxation and Non-Specific Grant Income	11	0	(635)	(635)
56,533	**(47,829)**	**8,704**	**(Surplus) or Deficit on Provision of Services**		**54,086**	**(48,250)**	**5,836**
75	(7,556)	(7,481)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets		980	(25,361)	(24,381)
5,349	0	5,349	Actuarial (gains) / losses on pension assets / liabilities		3,248	0	3,248
5,424	**(7,556)**	**(2,132)**	**Other Comprehensive Income and Expenditure**		**4,228**	**(25,361)**	**(21,133)**
61,957	**(55,385)**	**6,572**	**Total Comprehensive Income and Expenditure**		**58,314**	**(73,611)**	**(15,297)**

FS2 - Balance Sheet

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

2011/12				2012/13
31 March 2012 £'000	31 March 2012 £'000 Restated		Note	31 March 2013 £'000
		Non-Current Assets		
74,440	74,440	Property, Plant & Equipment	12	93,146
711	711	Heritage Assets	13	743
25,725	25,725	Investment Property (including Assets Held for Sale)	14	25,221
266	266	Intangible Assets	15	293
4,000	4,000	Long Term Investments	16	2,000
1,008	1,008	Long Term Debtors	16	956
106,150	**106,150**	**Long Term Assets**		**122,359**
13,250	13,250	Short Term Investments	16	11,500
33	33	Inventories	17	4
4,950	4,950	Short Term Debtors	19	3,240
3,308	3,308	Cash and Cash Equivalents	20	10,932
21,541	**21,541**	**Current Assets**		**25,676**
(324)	(324)	Cash and Cash Equivalents	20	0
(6,082)	(5,996)	Short Term Creditors	22	(8,237)
0	0	Current Provisions	23	(276)
(80)	(137)	Grants Receipts in Advance-Revenue	34	(249)
(382)	(382)	Grants Receipts in Advance-Capital	34	(392)
(6,868)	**(6,839)**	**Current Liabilities**		**(9,154)**
(3,808)	(3,808)	Long Term Creditors	16	(3,124)
(176)	(176)	Non-current Provisions	23	(101)
(22,750)	(22,697)	Other Long Term Liabilities	41	(26,186)
(26,734)	**(26,681)**	**Long Term Liabilities**		**(29,411)**
94,089	**94,171**	**Net Assets**		**109,470**
18,571	18,600	Usable Reserves	24	18,739
75,518	75,571	Unusable Reserves	25	90,731
94,089	**94,171**	**Total Reserves**		**109,470**

FS3 - Movement in Reserves Statement 2012/13

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

Movement in Reserves Statement 2011/12	Note	General Fund Balance £'000	Earmarked General Fund Reserves £'000 (Note 8)	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011		2,110	5,110	12,177	834	**20,231**	79,728	**99,959**
Re-Statement - Heritage Assets & Pension Reserve		0	0	0	0	**0**	702	**702**
Movement in reserves during 2011/12								
Surplus or (deficit) on the provision of services		(8,704)	0	0	0	**(8,704)**	0	**(8,704)**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	2,132	**2,132**
Total Comprehensive Income and Expenditure		(8,704)	0	0	0	**(8,704)**	2,132	**(6,572)**
Adjustments between accounting basis & funding basis under regulations	7	9,244	0	(2,121)	(103)	**7,020**	(7,020)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		540	0	(2,121)	(103)	**(1,684)**	(4,888)	**(6,572)**
Transfers to/from Earmarked Reserves		(318)	318	25	0	**25**	(25)	**0**
Increase/Decrease in 2011/12		**222**	**318**	**(2,096)**	**(103)**	**(1,659)**	**(4,913)**	**(6,572)**
Balance at 31 March 2012 carried forward		**2,332**	**5,428**	**10,081**	**731**	**18,572**	**75,517**	**94,089**
Movement in Reserves during 2012/13								
Prior Yr Restatement		29	112	0	(112)	**29**	53	**82**
Restated 2011/12 Reserves		2,361	5,540	10,081	619	18,601	75,570	94,171
Surplus or (deficit) on provision of services	*	(5,836)	0	0	0	**(5,836)**	0	**(5,836)**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	21,133	**21,133**
Total Comprehensive Income and Expenditure		(5,836)	0	0	0	**(5,836)**	**21,133**	**15,297**
Adjustments between accounting basis & Funding basis under regulations	7	6,468	472	(1,001)	27	**5,966**	(5,966)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		632	472	(1,001)	27	**130**	15,167	**15,297**
Transfers to/from Earmarked Reserves		(436)	436	8	0	**8**	(6)	**2**
Increase/Decrease in Year 2012/13		196	908	(993)	27	**138**	15,161	**15,299**
Balance at 31 March 2013 carried forward		**2,557**	**6,448**	**9,088**	**646**	**18,739**	**90,731**	**109,470**

* Prior Year Restatement of £0.82m comprises of :
a) NHB Grant £0.029m
b) Pension Fund Restatement £0.053m
c) During 2012/13 the Revaluation Reserve Restatement of £0.076m was corrected due to a 2011/12 prior year adjustment
d) Additionally £0.112m Homelessness initiatives was reclassified as a Reserve From Capital Grants Unapplied
e) Note £1K contras/rounding errors between Usable and Unusable Reserves. £2K rounding errors b/f Gen Fund Balance

FS4 - Cash-Flow Statement 2012/13

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

2011/2012 £'000		Note	2012/2013 £'000
8,704	**Net (Surplus)/Deficit on the Provision of Services**		**5,836**
(7,598)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(9,991)
2,551	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,559
3,657	**Net cash flows from Operating Activities**	**26**	**(2,596)**
(3,671)	**Investing Activities**	27	(4,057)
(535)	**Financing Activities**	28	(1,295)
(549)	**Net (increase)/decrease in Cash and Cash Equivalents**		**(7,948)**
2,435	Cash and Cash Equivalents at the beginning of the reporting period		2,984
2,984	**Cash and Cash Equivalents at the end of the reporting period**	**20**	**10,932**

NFS 1 – Statement of Accounting Policies

1. Introduction

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts and the Accounts and Audit (England) Regulations 2011 require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.
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

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 Authority 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 Authority

- Revenue from the provision of services is recognised when the Authority 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 Authority

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

3. Acquisitions and Discontinued Operations

Acquired operations
The Authority has not acquired operations (or transferred operations under combinations of public sector bodies) during the financial year.

Discontinued operations
The Authority has not discontinued any operations (or transferred any operations under combinations of public sector bodies) during the financial year.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

5. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

7. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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 Authority 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 on a prudent basis determined by the Authority 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 or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

8. Employee Benefits

8.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end 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.

8.2 Termination Benefits/Exit Packages

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and

are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority 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.

8.3 Post-employment Benefits
The Council provides for the payment of pensions and other defined benefits to its employees by making contributions to the Surrey County Council Pension Fund. The contributions are based on rates determined by the Fund's actuary that in turn are based on triennial valuations of the Fund. The most recent valuation took place December 2010. Under the Pension Fund Regulations, contributions are set to meet the overall liabilities of the Fund.

The Fund is accounted for as a defined benefit scheme, which means that:

- The liabilities of the Fund which are attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the cost of future retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected future earnings)
- Liabilities are discounted to give their value at current prices using a discount factor based on the indicative rate of return on high quality corporate bonds.
- The assets of the Pension Fund that are attributable to the Council are included in the Balance Sheet at their fair value (quoted securities – current bid price; unquoted securities – professional estimate; unitised securities – current bid price; property - market value)

Changes in the net pensions liability is analysed into seven components:

- Current service cost - the increase in liabilities as a result of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost - The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets - the annual investment return on the Fund assets attributable to the Authority, based an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains / losses on settlements and curtailments - the result of actions to relieve the Authority of Liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pension's 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.
- Contributions paid to the Surrey County Council Pension Fund - cash paid as employers' 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 Authority 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 any such amounts payable but unpaid at the year-end.
The negative balance that arises on the Pension 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 benefits are earned by employees.

8.5 Discretionary Benefits

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

9. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

10. Financial Instruments

10.1 Financial Liabilities

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

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

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

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

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

10.2 Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

10.2.1 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a number of loans to voluntary organisations and individuals at less than market rates (soft loans). When soft loans are made and are material, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

11. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling automatically by the Authority's bankers at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12. 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 Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

13. Heritage Assets

Tangible Heritage Assets

Financial Reporting Standard 30 (FRS 30) contains the accounting requirements for the separate recognition and depreciation of Heritage Assets. Heritage assets are defined as assets which have historical, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.
Heritage assets include historical buildings, historic motor vehicles, Civic Regalia, museum and gallery collections and works of art.

Recognition and Measurement:

Where the Council has information on the cost or value of a Heritage Asset the Council will include that value in its 2012/13 Balance Sheet. Where this information is not available and the historical cost information cannot be obtained the asset can be excluded from the balance sheet. A de-minimus level will be set in accordance with our policy for Capitalisation of assets currently set at £10,000.

Heritage assets will normally be measured at fair value. Where, exceptionally, it is not practicable to obtain a fair value, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses).

Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at fair value, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current.

Depreciation, Amortisation and Impairment:

Depreciation or amortisation is not required on heritage assets which have indefinite lives.

The carrying amount of an asset shall be reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity. Any impairment recognised shall be dealt with under the recognition and measurement requirements of section 4.7 of the Code.

Donations:

The receipt of donations of heritage assets shall be accounted for in line with the requirements for donated assets in section 2.3 of the Code. Where exceptionally, it is not practicable to obtain a valuation for a donated heritage asset, the disclosures required by paragraph 4.10.4.6 of the Code apply.

14. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.
Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

15. Interests in Companies and Other Entities

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

16. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the (FIFO/weighted average) costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

17. Investment Property

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

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

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

18. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority 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 Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity.

The Authority accounts for only 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.

19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

20.1 The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period). Normal capital accounting rules will apply for enhancement and disposal of Finance Leased non-current assets.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services 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 (eg there is a rent-free period at the commencement of the lease).

20.2 The Authority as Lessor

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

Lease rentals receivable are apportioned between:

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

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

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the

Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

20.3 Sale and Leaseback

For properties that are determined as a sale and leaseback arrangement, the following treatment shall apply:

- it de-recognises the existing property, plant and equipment asset
- it recognises the leased asset measured in accordance with the Code, ie at the lower of the fair value of the asset or the present value of the minimum lease payments
- it recognises a corresponding finance lease liability, and
- any gain on disposal of the asset is deferred and recognised over the life of the lease
- Subsequent lease payments are split between a finance charge and repayment of the liability.

Although one part of the transaction is accounted for as a sale, it is not considered to represent a sale in substance. This has two important consequences:

- prior to disposal, the asset does not qualify for reclassification into Assets Held for Sale per Section 4.9 of the Code and
- any existing balance in the Revaluation Reserve in respect of the asset is retained in that reserve and is not transferred to the Capital Adjustment Account balance when the disposal is recognised – the transfer will not take place until the 'new' asset is eventually derecognised.

20.4 Headlease and sublease arrangements

For properties subject to contracts involving head-lease and sublease arrangements, the Authority leases out assets on a finance lease and then subleases all or part of it to another party on identical terms and conditions.
The Authority will recognise the finance leases on a gross basis in its accounts treating them as two individual arrangements as both Lessor and Lessee under a sublease/headlease arrangement.

21. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

22.1 Property, Plant and Equipment

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

Recognition

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

Measurement
Assets are initially measured at cost, comprising:

- the purchase price

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure, community assets and assets under construction – depreciated historical cost

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued 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 matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

22.2 Impairment
Assets are assessed at each year-end, as part of a five year rolling programme, and to determine 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 Comprehensive Income and Expenditure Statement.

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

22.3 Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. 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.

22.4 Component Accounting Policy

International Accounting Standard 16 (IAS16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and de-recognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1st April 2010. Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation.

Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.

Where there is more than one significant component part of the same asset with the same useful life, such component parts will be group together for deprecation purposes.

A component may be an individual item or similar items with similar useful lives grouped.

Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.

Only assets with a gross book value of £1 million and over will be considered for componentisation.

Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of 25% in relation to the overall value of the asset or over £500,000 will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.

On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

22.5 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. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority'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 noncurrent 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.

22.6 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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.

22.7 Minimum Revenue Provision (MRP)

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

Depreciation, revaluation, impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP) by a transaction through the Capital Adjustment Account and General Fund in the Movement in Reserves Statement. The Authority has no borrowing requirement and MRP is therefore reflected in the Finance Leases (Lessee arrangement) and for Lessor arrangements in the General Fund retained as income.

23.1 Provisions, Contingent Liabilities and Contingent Assets

Provision

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

23.2 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

23.3 Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority 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 Authority.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

24.1 Usable Reserves

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

24.2 Unusable Reserves

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 Authority – these reserves are explained in the policies below:

- **Revaluation Reserve:** This represents the balance of surpluses or deficits arising from the periodic revaluation of non-current assets. Assets within the Balance Sheet match the reserve.

- **Capital Adjustment Account:** This shows the capital resources set aside to meet past expenditure.
- **Pensions Reserve:** This represents the estimated net assets/liabilities of the Council in regard to future pension costs.
- **Deferred Capital Receipts Reserve**: The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- **Collection Fund Adjustment Account**: The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
- **Accumulated Compensating Absences Adjustment Account**: The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance be neutralised by transfers to or from the account.

25. VAT

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

26. Collection Fund (England)

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992). The Collection Fund shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting non-domestic rates and council tax belong to the bodies i.e. major preceptors (Surrey County Council and Surrey Police Authority), the billing Authority and the Government, on behalf of which the billing Authority collects these taxes.

27. Tax Income (Council Tax Income)

Council Tax income is included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. Each major preceptor's share of the accrued council tax income would be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Since the collection of council tax is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors belongs proportionately to the billing Authority and the major preceptors 'Surrey County Council' and the 'Police Authority'. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council taxpayers. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year, the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/Creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from council tax debtors/creditors, the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The Cash Flow Statement of the billing authority shall include within operating activities only its own share of council tax net cash collected from council tax debtors in the year; and the amount included for precepts paid shall exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from council tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund shall be included within financing activities in the Cash Flow Statement.

The Cash Flow Statement of a major preceptor shall include within operating activities the net council tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from council tax debtors by the billing authority in the year shall be included within financing activities in the Cash Flow Statement.

28. Accounting for National Non Domestic Rates (NNDR)

Billing authorities collect NNDR under what is in substance an Agency Arrangement with the Government, therefore:

- NNDR income is not the income of the authority and shall not be included in its Comprehensive Income and Expenditure Statement. The cost of collection allowance is income of the authority and shall be included in this statement.
- Impairments and doubtful debts shall not be recognised as Debtor or Creditor balances in the Authority's Balance Sheet as they are not the Assets or Liabilities of the Authority.
- Cash collected from NNDR payers by the Authority belongs to the government and amounts not yet paid to the Government at the balance sheet date shall be included as a Creditor in the Authority's Balance Sheet or alternatively a Debtor if cash is owed by the Government to the Local Authority.
- The only items to be included in the Cashflow Statement is the Cost of Collection Allowance as a cash inflow and the difference between cash collected from NNDR taxpayers and the amount paid into the NNDR pool shall be included within financing activities in the Cash Flow Statement
- Other costs such as the cost of recovery for unpaid NNDR debts are income of the billing authority.

NFS 2 – Accounting Standards issued but not adopted

For 2012/13 the following accounting policy changes are required:

- Amendments to IAS 1 'Presentation of Financial Statements' (other comprehensive income, June 2011)
- Amendments to IFRS 7 'Financial Instruments : Disclosures (offsetting financial assets and liabilities December 2011) This IFRS deals with Hedge Accounting. Hedging is the process of entering into a derivative contract with a counterparty in the expectation that the transaction will eliminate or reduce exposure to a particular risk, such as movements in interest rates. Risk reduction is obtained because the derivative's value or cash flows are expected to move in the opposite direction to changes in the value or cash flows of the hedged item. The Authority does not use hedging techniques.
- Amendments to IAS 12 'Income Taxes' (Deferred tax: recovery of underlying assets, December 2010)
- Amendments to IAS 19 'Employee Benefits' (June 2011) and IFRS 13 Fair Value Measurement (May 2011) – The International Accounting Standards Board (IASB) published a revised IAS 19 on 16 June 2011. These new accounting standards will be applicable for reporting from the 1st January

2013. Our Actuaries have not allowed for these future amendments in their assumptions and calculations for 2012/13, but will allow for them in the 2013/14 Pension Expense. However they have disclosed the impact of the changes in their 2012/13 reports as an additional note to the disclosures in accordance with IAS 8. The effect of the change to IAS 19 on the Income Statement to 31st March 2013 will be an increase of £440,000.

NFS 3 – Critical Judgements in Applying Accounting Policies

During 2012/13 the Authority has made no critical judgements in the Statement of Accounts.

NFS 4 - 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 Authority 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 Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows. Where uncertainties occur within the comparative year this will be stated:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability/Prior Period Adjustment	The valuation of the pension fund Liability, for the year ending 31 March 2012, was based on information that included duplicated prior year pension backfunding accruals. This resulted in a prior year adjustment to the Pension Fund for the comparative year.	The impact of the result of this decision has incurred a decrease in the Pension Fund Liability totalling £0.053m for the comparative year ending 31 March 2012.
Valuation of componentised assets	During 2012/13 three assets were revalued using different assumptions from the 2011/12 basis, due to the componentisation of assets at Dorking Halls, Leatherhead Leisure Centre and Dorking Sports Centre. This resulted in a large increase in value for the two Sports Centres and a decrease in value of Dorking Halls. The valuer's opinion was that the Leatherhead Leisure Centre had undergone significant refurbishment work and that Dorking Sports Centre was undervalued. The valuer's opinion on the land element of Dorking Halls was that it was over-valued in the past and based on market value and not Existing use value.	The increase in the Sports Centres totalled £15m for Leatherhead Leisure Centre and £8m for Dorking Sports Centre. The Car Parks were revalued upwards by £1m and the Depot by £1m with a downward revaluation on Dorking Halls of £4m, The remainder of the Car Parks were revalued on the same basis as 2011/12, hence an increase in valuation in 2012/13.

NFS 5 – Material items of Income and Expense

The Code requires that where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. Items that are material relate to Property, Plant and Equipment and Investment properties and are as follows:

- Property, Plant and Equipment (PPE) - Surplus or deficit on revaluations of PPE (£24m) shown in Other Comprehensive Income and Expenditure Statement (CIES), there is also £3m revaluation losses shown in the Net Cost of Services resulting in a net impact of £21m on the face of the CIES. This relates mainly to a combination of upward valuations of £23m on the two Leisure Centres and downward valuations of approximately £4m on Dorking Halls, with the remainder within Car Parks and the Depot. The Sports Centres and Dorking Halls have recently been subject to revaluation following a five yearly review based on the assets' components.

NFS 6 – Events after the Balance Sheet Date

In accordance with the Accounts and Audit Regulations 2011, the Statement of Accounts 2012/13 was authorised for issue by the Strategic Director on the 26 September 2013. 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 2013, the figures in the Financial Statements and notes have been adjusted in all material aspects to reflect the impact of this information.

The Authority has disclosed the following as a non-adjusting event relating to the liabilities outstanding in respect of appeals in 2012/13 and prior years, but will not adjust the amounts recognised in the Statement of Accounts to reflect such an event after the reporting period:

- When the new arrangements for the retention of Business Rates came into effect on the 1st April 2013, the Authority will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.
- This is to include amounts paid over to Central Government for 2012/13 and prior years. Previously these amounts would not have been recognised as income by the Authority, but would have been transferred to the Department for Local Government and Communities (DCLG).
- Therefore, the Authority has recognised its respective share of these liabilities on 1st April 2013, to be in the region of £0.900m.

NFS 7 – 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

NFS 7: Adjustments between Accounting and Funding Basis Under Regulation 2012/13	Usable Reserves				
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Earmarked General Fund Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	4,030				(4,030)
Revaluation losses on Property Plant and equipment	2,987				(2,987)
Movements in the Fair Value of Investment Properties	418				(418)
Amortisation of Intangible assets	49				(49)
Revenue expenditure funded from capital under statute	1,536				(1,536)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,120)	1,096			24
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory Provision for financing of Capital investment (MRP)	(399)				399
Capital Grant and contributions unapplied Account:					0
Application of Capital Grants & Contributions to capital financing transferred to the CAA	(507)		(271)	(12)	790
Capital Grants and Contributions unapplied credited to the CIES	(782)		298	484	0
Adjustments involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement					0
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,092)			2,092
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5	(5)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	44				(44)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	1,820				(1,820)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,579)				1,579
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(12)				12
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Short Term Compensated Absences - Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(22)				22
Total Adjustments 2012/13	**6,468**	**(1,001)**	**27**	**472**	**(5,966)**

NFS 7: Adjustments between Accounting and Funding Basis Under Regulation 2012/13 2011/12 Comparative	Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Earmarked General Fund Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non current assets	3,267				(3,267)
Movements in the Market Value of Investment Properties	5,655				(5,655)
Revenue expenditure funded from capital under statute - Current Year	2,529				(2,529)
Revenue expenditure funded from capital under statute - Prior Year	349				(349)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,610)	1,778			(168)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory Provision for financing of Capital investment (MRP)	(242)				242
Capital expenditure charged against the General Fund and HRA balances					0
Capital Grant and contributions unapplied Account:					
Application of Capital Grants & Contributions to capital financing transferred to the CAA	(20)		(249)		912
Capital Grants and Contributions unapplied credited to the CIES	(791)		146		5
Capital Grants and Contributions unapplied credited to the CIES prior year					(3)
Adjustments primarily involving the Capital Receipts Reserve:					
Use of the Capital Receipts Reserve to finance new capital expenditure		(3,880)			3,880
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	19	(19)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	40				(40)
Adjustments primarily involving the Deferred Capital Receipts Reserve:					
Transfers in respect of Community Infrastructure levy receipts					
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 46)	1,738				(1,738)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,732)				1,732
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	22				(22)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					0
Short-term compensated absences - Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	20				(20)
Total Adjustments	**9,244**	**(2,121)**	**(103)**	**0**	**(7,020)**

NFS 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance at 1 April 2011 £'000	Transfers In 2011/2012 £'000	Balance at 31 March 2012 £'000	Balance at 31 March 2012 Restated £'000	Transfers Out 2012/2013 £'000	Transfers In 2012/2013 £'000	Balance at 31 March 2013 £'000
General Fund:							
Insurance Fund	323	0	323	323			323
Minor Works Fund	4,165	0	4,165	4,165		200	4,365
Housing Act Advances Reserve	25	0	25	25		3	28
New Burdens Fund	34	0	34	34	(34)		0
Pippbrook House Dilapidations	325	0	325	325			325
Subsidence	238	0	238	238			238
Planning Tariff Reserve	0	318	318	318	(614)	1,086	790
Homelessness Initiatives				112			112
Property Initiatives			0			200	200
Pension shortfall Reserve			0			67	67
Total	**5,110**	**318**	**5,428**	**5,540**	**(648)**	**1,556**	**6,448**

NFS 9. Other Operating Expenditure

Other operating expenditure reported includes all levies payable (none for 2012/13), total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales formally managed through the Housing Revenue Account and gains and losses generated from in year disposals of non - current assets.

	2011/12 £'000	2012/13 £'000
Parish council precepts	156	167
Payments to the Government Housing Capital Receipts Pool	19	5
(Gains)/losses on the disposal of non current assets	(812)	(445)
Other (VAT Shelter)	(802)	(675)
Total	**(1,439)**	**(948)**

NFS 10. Financing and Investment Income and Expenditure

2011/12 £'000		2012/13 £'000
190	Interest payable and similar charges	177
262	Pensions interest cost and expected return on pensions assets	639
(378)	Interest receivable and similar income	(379)
3,932	Income and expenditure in relation to investment properties and changes in their fair value	(1,063)
0	Other investment income	
4,006	**Total**	**(626)**

NFS 11. Taxation and Non Specific Grant Income

This item consolidates all non specific grants and contributions receivable that cannot be identified to particular service expenditure, and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non specific grant income even if service specific.

This note also identifies the Councils proportion of Council Tax and Business Rates used to fund in year business/service activities.

2011/12 £'000		2012/13 £'000
(6,367)	Council tax income	(6,417)
(6,367)	**Subtotal Council Tax income**	**(6,417)**
(2,244)	Non domestic rates	(2,645)
(848)	Revenue Support Grant	(207)
(169)	Non-ring fenced government grants	(339)
(812)	Capital grants and contributions	(89)
(4,073)	**Subtotal General Grants & Contributions**	**(3,280)**
(10,440)	**Total Taxation and Non Specific Grant Income**	**(9,697)**

NFS12 - Property Plant & Equipment Movements on Balances

Movements in 2012/13	Other Land and Buildings £'000	Vehicles, Plant, furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2012	**86,473**	**11,927**	**274**	**2,949**	**0**	**0**	**101,623**
Additions	784	266	10	114	25		**1,199**
Donations							
Revaluation increases/(decreases) recognised in the Revaluation Reserve	24,241	0					**24,241**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,252)	(570)			(25)		**(2,847)**
Derecognition - Disposals		(35)					**(35)**
Derecognition - Other							**0**
Assets reclassified (to)/from Held for Sale							**0**
Other movements in cost or valuation	(118)			118	101		**101**
At 31 March 2013	**109,128**	**11,589**	**284**	**3,181**	**101**	**0**	**124,283**
Accumulated Depreciation and Impairment							
At 1 April 2012	**18,827**	**7,734**	**151**	**471**	**0**	**0**	**27,183**
Depreciation charge	2,725	1,239	14				**3,978**
Depreciation written out to the Revaluation Reserve							
Depreciation written out to the Surplus/Deficit on the Provision of Services							
Impairment losses/(reversals) recognised in the Revaluation Reserve							
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - Disposals		(24)					**(24)**
Derecognition - Other							
Other movements in Depreciation and Impairment							**0**
At 31 March 2013	**21,552**	**8,949**	**165**	**471**	**0**	**0**	**31,137**
Net Book Value							
At 31 March 2013	**87,576**	**2,640**	**119**	**2,710**	**101**	**0**	**93,146**
At 31 March 2012 Restated	**67,646**	**4,193**	**123**	**2,478**	**0**	**0**	**74,440**

Restated Prior Year Comparators	Other Land and Buildings £'000	Vehicles, Plant, furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2011	78,045	11,202	227	2,021	0	1,462	**92,957**
Additions	1,244	742	47	98	0	0	**2,131**
Donations							**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,480						**7,480**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition - Disposals	(408)	(17)					**(425)**
Derecognition - Other						(348)	**(348)**
Assets reclassified (to)/from Held for Sale							**0**
Other movements in Cost or Valuation	112			830		(1,114)	**(172)**
At 31 March 2012 Restated	**86,473**	**11,927**	**274**	**2,949**	**0**	**0**	**101,623**
Accumulated Depreciation and Impairment							
At 1 April 2011	**17,036**	**6,605**	**139**	**471**	**0**	**0**	**24,251**
Depreciation charge	2,045	1,129	12				**3,186**
Depreciation written out to the Revaluation Reserve							**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services							**0**
Impairment losses/(reversals)recognised in the Revaluation Reserve							**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition - Disposals	(231)						**(231)**
Derecognition - Other							**0**
Other movements in Depreciation and Impairment	(23)						**(23)**
At 31 March 2012 Restated	**18,827**	**7,734**	**151**	**471**	**0**	**0**	**27,183**
At 31 March 2012 Restated	**67,646**	**4,193**	**123**	**2,478**	**0**	**0**	**74,440**
At 31 March 2011	**61,009**	**4,599**	**88**	**1,550**	**0**	**1,462**	**68,708**

Prior Year Comparators Audited	Other Land and Buildings £'000	Vehicles, Plant, furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Const-ruction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1 April 2011	**78,045**	**11,202**	**227**	**2,021**	**0**	**1,462**	**92,957**
Additions	1,327	659	47	98	0	0	**2,131**
Donations							**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,480						**7,480**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition - Disposals	(425)						**(425)**
Derecognition - Other						(348)	**(348)**
Assets reclassified (to)/from Held for Sale							**0**
Other movements in Cost or Valuation	112			830		(1,114)	**(172)**
At 31 March 2012 Audited	**86,539**	**11,861**	**274**	**2,949**	**0**	**0**	**101,623**
Accumulated Depreciation and Impairment							
At 1 April 2011	**17,036**	**6,605**	**139**	**471**	**0**	**0**	**24,251**
Depreciation charge	2,424	750	12				**3,186**
Depreciation written out to the Revaluation Reserve							**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services							**0**
Impairment losses/(reversals)recognised in the Revaluation Reserve							**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition - Disposals	(231)						**(231)**
Derecognition - Other							**0**
Other movements in Depreciation and Impairment	(23)						**(23)**
At 31 March 2012 Audited	**19,206**	**7,355**	**151**	**471**	**0**	**0**	**27,183**
At 31 March 2012 Audited	**67,333**	**4,506**	**123**	**2,478**	**0**	**0**	**74,440**
At 31 March 2011	**61,009**	**4,599**	**88**	**1,550**	**0**	**1,462**	**68,708**

NFS 12.2: PPE Valuation Other Land and Buildings

Movements on Balances in 2012/13	Other Land & Buildings £,000	Vehicles, Plant, Furniture & Equipment £,000	Surplus Assets £,000	Total £,000
Carried at Historical Cost	50,425	2,889	989	54,303
Valued at Fair value as at				
31 March 2009	(67)	645	(39)	539
31 March 2010	365	(249)	(25)	91
31 March 2011	10,681	1,319	225	12,225
31 March 2012	5,930	(98)	(1,048)	4,784
31 March 2012 Restated	6,242	(410)	(1,048)	4,784
31 March 2013	19,930	(1,554)	(1)	18,375
Total Cost or Valuation	**87,576**	**2,640**	**101**	**90,317**

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

NFS 13.1 Heritage Assets

Reconciliation of the Carrying value of Heritage Assets held by the Authority	Art Collection £'000	Heritage Land £'000	Heritage Buildings £'000	Total Assets £'000
Cost or Valuation				
1 April 2011	**86**	**115**	**538**	**739**
Additions			21	**21**
Depreciation	(1)	0	(48)	**(49)**
31 March 2012	**85**	**115**	**511**	**711**
Cost or Valuation				
1 April 2012	**85**	**115**	**511**	**711**
Additions	8		76	**84**
Depreciation	(2)		(50)	**(52)**
31 March 2013	**91**	**115**	**537**	**743**

NFS 13.1 Heritage Assets cont…

Art Collection & Artefacts

The Authority's collection of Art and Artifacts is reported in the Balance Sheet at insurance valuation which is based on market values.These insurance valuations are updated annually. Additionally Work of Art at King George V Playing Field is reported at cost.

Heritage Land

The Authority's collection of Heritage Land is reported in the Balance Sheet at cost.

Heritage Buildings

The Authority's Heritage Buildings are reported in the Balance Sheet at discounted replacement cost valuation which is based on market values.

Additions of Heritage Assets

There was only one addition to Heritage Assets during 2012/13 which includes the Cycle Sculpture. Other additional expenditure related to existing assets.

Enhancement to existing Heritage Assets during 2012/13 included:	£'000
Cycle Sculpture	8
Dorking Cemetery	57
Leatherhead War memorial	19

NFS 13.2: Heritage Assets not Included in the Balance Sheet

The Authority holds several heritage assets which are not recorded on the balance sheet. It has been considered impracticable to obtain valuations for these assets as the cost would not be commensurate with the benefits to users of these financial statements.

Heritage assets not recorded in the Authorities balance sheet include:

- Public Art in Dorking and Leatherhead
- Painting in Park House
- Ashtead Gates
- War Memorials
- Cemetery Archive of Burials
- Deepdene Mausoleum
- Various Statues

NFS 14.1: Investment Properties CIES

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

	2011/12 £'000	2012/13 £'000
Rental income from investment property	2,110	1,815
Direct operating expenses arising from investment property	(387)	(333)
Net gain/(loss) on financing and investment in CIES	**1,723**	**1,482**

NFS 14.1: Investment Properties CIES cont

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

	2011/12 £'000	2012/13 £'000
Balance at start of the year	31,188	25,726
Additions		
- Purchases		
- Subsequent expenditure	44	15
Disposals		
- Net gains / losses from the fair value adjustments	(5,655)	(418)
Transfers		
- to / from Property, Plant and Equipment	149	(102)
Balance at end of the year	**25,726**	**25,221**

NFS: 15 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generally software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

The useful lives assigned to the major software suites used by the Authority are:

	Other Assets
3 years	None
5 years	All Software
10 years	None

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £49,000 was charged to revenue in 2012/13. £2,000 was charged to Central Services to the Public and the remaining £47,000 was charged to various internal cost centres and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of this remaining amortisation is attributable to each service heading.

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

	2011/12		2012/13	
	Other Assets £'000	Total £'000	Other Assets £'000	Total £'000
Balance at start of year:				
• Gross carrying amounts	930	930	1,084	1,084
• Accumulated amortisation	(786)	(786)	(818)	(818)
Net carrying amount at start of year	**144**	**144**	**266**	**266**
Additions:				
• Internal development			0	0
• Purchases	154	154	76	76
Amortisation for the period	(32)	(32)	(49)	(49)
Other changes			0	0
Net carrying amount at end of year	266	266	293	293
Comprising:				
• Gross carrying amounts	1,084	1,084	1,160	1,160
• Accumulated amortisation	(818)	(818)	(867)	(867)
	266	**266**	**293**	**293**

NFS 16-1: Categories of Financial Instruments

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

	Long-term		Current		
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2012 Restated £'000	31 March 2013 £'000
Investments					
Loans and receivables	4,000	2,000	13,250	13,250	11,500
Total investments	**4,000**	**2,000**	**13,250**	**13,250**	**11,500**
Debtors					
Loans and receivables *	0	0	3,070	3,070	3,040
Finance assets carried at contract amounts	1,008	956	0	0	0
Total Debtors	**1,008**	**956**	**3,070**	**3,070**	**3,040**
Borrowings		0			0
Total borrowings		**0**			**0**
Other Long-term Liabilities	0	0	0	0	0
PFI and Finance Lease Liabilities	(3,808)	(3,124)	(124)	(124)	(400)
Total borrowings	**(3,808)**	**(3,124)**	**(124)**	**(124)**	**(400)**
Creditors					
Financial liabilities at amortised cost	0	0	(4,575)	(4,490)	(5,035)
Total creditors	**0**	**0**	**(4,575)**	**(4,490)**	**(5,035)**
Soft Loans					
Soft Loans					
Soft Loans**	(14)	(17)	0	0	0
	(14)	**(17)**	**0**	**0**	**0**

Note 1 - The Code requires the carrying amount of financial instruments to be included in the Balance Sheet. However, this inclusion will be in two separate parts. For long-term investments, the balance sheet carrying amount will be split to exclude accrued interest due in the next 12 months. This will be shown and separately identified in current assets. Short-term financial investments carrying amounts will be shown in current assets with accrued interest identified separately as above.
Note 2 - Authorities will sometimes make loans at less than market rates, where a service objective would justify the Authority making a concession. Examples include loans to voluntary organisations to facilitate the authority's own responsibilities for service provision, loans to organisations for economic regeneration purposes, loans to employees eg car loans and income from rent deposits. The Authority has a record of all soft loans issued and received and having calculated the value, has not applied the accounting convention that would require the difference being between the soft loan interest rate and market rates to be applied to the Comprehensive Income and Expenditure Accounts the amounts involved would not create a material difference in the accounts.

NFS 16.2: Income, Expenses, Gains and Losses on Financial Instruments

	2011/12 Financial Assets		2012/13 Financial Assets	
	Loans and receivables £'000	Total £'000	Loans and receivables £'000	Total £'000
Interest income	378	378	379	379
Total income in Surplus or Deficit on the Provision of Services	**378**	**378**	**379**	**379**
Net gain/(loss) for the year	**378**	**378**	**379**	**379**

NFS 16.3: Fair Values of Assets and Liabilities

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

- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

NFS 16.3: Fair Values of Assets and Liabilities / cont…

Liabilities	31 March 2012 £'000		31 March 2012 Restated £'000		31 March 2013 £'000	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial liabilities	0	0	0	0	0	0
Current creditors	4,575	4,575	4,490	4,490	5,035	5,035
Long-term creditors	3,808	3,808	3,808	3,808	3,124	3,124

Assets	31-Mar-12		31-Mar-13	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Loans and receivables	17,250	17,250	13,500	13,500
Long-term debtors	1,008	1,008	956	956
Current debtors	3,070	3,070	3,040	3,040

The fair values for loans and receivables have been determined by reference to similar practices which provide a reasonable approximation for the fair value of a financial instrument and include accrued interest (shown in debtors). The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counter party, but it is impractical to use these figures and the difference is likely to be immaterial.

The Code requires the carrying amount of financial instruments to be included in the Balance Sheet. However, this inclusion will be in two separate parts. For long-term investments, the balance sheet carrying amount will be split to exclude accrued interest due in the next 12 months. This will be shown and separately identified in current assets. Short-term financial investments carrying amounts will be shown in current assets with accrued interest identified separately as above.

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

NFS 17: Inventories

Consumable stores are the only inventory the Authority holds.

	2011/12 Consumable Stores £'000	2012/13 Consumable Stores £'000
Balance outstanding at start of year	55	33
Purchases	344	336
Recognised as an expense in the year	(351)	(337)
Written off balances	(15)	(28)
Balance outstanding at year-end	**33**	**4**

NFS 18 : Construction Contracts

The Authority had no material construction contracts as at the 31 March 2013 or any onerous contracts as defined by IAS 37.

A capital commitment rolled over from 2011/12 and still exists for 2012/13 for the Leatherhead Leisure Centre of £58,000 for retention, consultancy and a small amount of works (£68,000 in 2011/12). At the end of 2012/13 a commitment for Leatherhead Leisure Centre of £78,000 existed (£99,000 in 2011/12).

NFS 19 : Debtors

	31 March 2012 £'000	31 March 2013 £'000
Short Term Debtors		
Central Government bodies	2,241	588
Other Local Authorities	648	845
NHS Bodies	7	11
Other entities and individuals	2,054	1,796
Total Short Term Debtors	**4,950**	**3,240**

NFS 20: Cash and Cash Equivalents

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

	31 March 2012 £'000	31 March 2013 £'000
Cash held by the Authority	4	5
Bank current accounts	3,304	10,927
Short-term deposits with building societies	0	0
Sub Total	**3,308**	**10,932**
Bank overdraft	(324)	0
Total Cash and Cash Equivalents	**2,984**	**10,932**

NFS 21. Assets Held for Sale

The Authority has no Non Current Assets Held for Sale

NFS 22: Creditors

	31 March 2012 £'000	Restated 31 March 2012 £'000	31 March 2013 £'000
Short Term Creditors			
Central Government Bodies	1,534	1506	3,153
Other Local Authorities	915	857	927
Other Entities and Individuals	3,633	3,633	4,157
Total Short Term Creditors	**6,082**	**5,996**	**8,237**

NFS 23: Provisions

Non-current Provisions	Outstanding Legal Cases £'000	Personal Search Refund Claims	Profit Share Contract	Total £'000
Balance at 1 April 2012	**176**	**0**	**0**	**176**
Unused amounts reversed in 2012/13	(75)	0	0	**(75)**
Balance at 31 March 2013	**101**	**0**	**0**	**101**

Current Provisions	Outstanding Legal Cases £'000	Personal Search Refund Claims	Profit Share Contract	Total £'000
Balance at 1 April 2012	**0**	**0**	**0**	**0**
Additional provisions made in 2012/13	52	84	140	**276**
Amounts used in 2012/13	0	0	0	**0**
Subtotal at 31 March 2013	**52**	**84**	**140**	**276**
Unused amounts reversed in 2012/13	0	0	0	**0**
Unwinding of discounting in 2012/13	0	0	0	**0**
Balance at 31 March 2013	**52**	**84**	**140**	**276**

1. The Council had one provision of £0.176m as at 1st April 2012 for pending court cases , relating to Municipal Mutual Insurance (MMI) claims, for cases involving a form of asbestosis. The total provision has been reduced to £0.119m in 2012/13 following recent events surrounding the case and guidance received from Ernst & Young, the Scheme Administrator. £0.018m of the provision has been classified as a short term provision based on the guidance that that there will be a claim of 15% of the maximum liability in 2013/14.
2. A Government grant of £0.034m from 2010/11 was set aside in a reserve to be used in the event of claims for refunds of Personal Search fees charged. During 2012/13 two claims have been received and following initial checks a total provision of £0.084m has been made, £0.034m of which was transferred from reserves. Payments to the claimants will be made in 2013/14.
3. The Council is involved in defending a High Court challenge concerning the decision it made on a planning application. The case is quite complex and external legal costs have already been incurred in dealing with preliminary stages of responding to the application made to the Court. A provision of £0.034m has been made during the year for further estimated costs in 2013/14.
4. MVDC are nearing the completion of a reconciliation exercise with a management company over a profit share contract . This will be completed in 2013/14 and refers to the years from 2007/08 onwards . A provision of £0.140m has been made in 2012/13.

NFS 24: Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 7 (Adjustments between accounting and funding basis).

Reserve	Purpose of Reserve	Opening Balance 01/04/2012 £'000	Prior yr Adjustment 01/04/2012 £'000	2012/13 Movement £'000	Closing Balance 31/03/2013 £'000
General Fund	Resources available to meet future running costs for Non-HRA services	(2,332)	(29)	(196)	(2,557)
Earmarked Reserves	Specific resources held against earmarked expenditure.	(5,428)	(112)	(908)	(6,448)
Capital Grants Unapplied	Capital resource available to finance capital expenditure when incurred	(731)	112	(27)	(646)
Capital Receipts Reserve	Proceeds of fixed assets sales that can only be used to fund capital expenditure.	(10,081)	0	993	(9,088)
Total Usable Reserves		**(18,572)**	**(29)**	**(138)**	**(18,739)**

NFS 25: Unusable Reserves

2011/12 £'000	2011/12 Restated £'000		Note	2012/13 £'000
18,048	18,048	Revaluation Reserve	25.1	42,429
79,379	79,379	Capital Adjustment Account	25.2	73,663
965	965	Deferred Capital Receipts Reserve	25.3	915
(22,750)	(22,697)	Pensions Reserve	25.4	(26,186)
39	39	Collection Fund Adjustment Account	25.5	51
(163)	(163)	Accumulating Compensated Absences Adjustment	25.6	(141)
75,518	**75,571**			**90,731**

NFS 25.1: Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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.

2011/12 £'000		2012/13 £'000	
10,596	Balance at 1 April		18,048
7,556	Upward revaluation of assets	25,361	
(76)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(980)	
7,480	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		24,381
	Difference between fair value depreciation and historical cost depreciation	0	
(28)	Accumulated gains on assets sold or scrapped	0	
(28)	**Amount written off to the Capital Adjustment Account**		**0**
18,048	**Balance at 31 March**		**42,429**

NFS 25.2: Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

Note 7 provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

2011/12 £'000		2012/13 £'000	
86,279	Balance at 1 April		**79,378**
0	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,235)	Charges for depreciation and impairment of non current assets	(4,030)	
	Revaluation losses on Property, Plant and Equipment	(2,987)	
(32)	Amortisation of intangible assets	(49)	
(2,529)	Revenue expenditure funded from capital under statute	(1,536)	
(349)	Revenue expenditure funded from capital under statute prior year	0	
(168)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	24	
(6,313)			**(8,578)**
28	Adjusting amounts written out of the Revaluation Reserve		
(6,285)	**Net written out amount of the cost of non current assets consumed in the year**		**(8,578)**
	Capital financing applied in the year:		
3,880	Use of the Capital Receipts Reserve to finance new capital expenditure	2,092	
775	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	507	
142	Application of grants to capital financing from the Capital Grants Unapplied Account	283	
242	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	399	
5,039			**3,281**
(5,655)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(418)
79,378	**Balance at 31 March ***		**73,663**

* Please note prior year rounding error £1K

NFS 25.3: Deferred Capital Receipts Reserve

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

2011/12 £'000		2012/13 £'000
1,031	**Balance at 1 April**	**965**
(40)	Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(44)
(26)	Transfer to the Capital Receipts Reserve upon receipt of cash	(6)
965	**Balance at 31 March**	**915**

NFS 25.4: Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However,statutory arrangements require benefits earned to be financed as the Authority 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 Authority 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.

2011/12 £'000	2011/12 Restated £'000		2012/13 £'000
(17,395)	(17,395)	**Balance at 1 April**	(22,697)
(5,349)	(5,349)	Actuarial gains or (losses) on pensions assets and liabilities	(3,248)
(1,738)	(1,738)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,820)
1,732	1,785	Employer's pensions contributions and direct payments to pensioners payable in the year	1,579
(22,750)	**(22,697)**	**Balance at 31 March**	**(26,186)**

NFS 25-5: Collection Fund Adjustment Account

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

2011/12 £'000		2012/13 £'000
61	**Balance at 1 April**	**39**
(22)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	12
39	**Balance at 31 March**	**51**

NFS 25-6: Accumulated Absences Account

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

2011/12 £'000		2012/13 £'000
(143)	**Balance at 1 April**	**(163)**
143	Settlement or cancellation of accrual made at the end of the preceding year	163
(163)	**Amounts accrued at the end of the current year**	**(141)**
(20)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	22
(163)	**Balance at 31 March**	**(141)**

NFS 26: Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

2011/12 £'000		2012/13 £'000
378	Interest received	379

NFS 27: Cash Flow - Investing Activities

2011/12 £'000		2012/13 £'000
2,339	Purchase of property, plant and equipment, investment property and intangible assets	1,284
	Purchase of short-term and long-term investments	
18	Other payments for investing activities	0
(1,365)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(433)
(2,993)	Proceeds from short-term and long-term investments	(3,748)
(1,670)	Other receipts from investing activities	(1,160)
(3,671)	**Net cash flows from investing activities**	**(4,057)**

NFS 28: Cash Flow - Financing Activities

2011/12 £'000		2012/13 £'000
0	Cash receipts of short and long-term borrowing	0
(803)	Other receipts from financing activities	(1,733)
268	Cash payments for the reduction of the outstanding liabilities relating to finance leases	438
0	Repayments of short and long-term borrowing	0
0	Other payments for financing activities	0
(535)	**Net cash flows from financing activities**	**(1,295)**

NFS 29.1: Amounts Reported for Resource Allocations

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services

The income and expenditure of the Authority's Business Units recorded in the budget reports for the year is as follows:

2012/13 Service Income and Expenditure	Business Process Review £'000	Senior Management Team £'000	Finance & Environmental Services £'000	Partnerships, Major Events & Env Health £'000	Democratic Services £'000	Property, Revenues and ICT £'000	Planning Services £'000	Wellbeing Services £'000	Total £'000
Fees, charges & other service incom	0	0	(4,207)	(887)	(53)	(2,716)	(1,183)	(2,392)	(11,438)
Government grants			(108)	(15)	0	(24,376)	(19)	(231)	(24,749)
Total Income	**0**	**0**	**(4,315)**	**(902)**	**(53)**	**(27,092)**	**(1,202)**	**(2,623)**	**(36,187)**
Employee expenses	0	889	1,326	802	1,040	1,995	1,684	1,845	9,581
Other service expenses	0	74	6,948	955	621	25,613	507	1,411	36,129
Support service recharges	0	(7)	(82)	(25)	(18)	(193)	0	(66)	(391)
Total Expenditure	**0**	**956**	**8,192**	**1,732**	**1,643**	**27,415**	**2,191**	**3,190**	**45,319**
Net Expenditure	**0**	**956**	**3,877**	**830**	**1,590**	**323**	**989**	**567**	**9,132**

2011/12 Service Income and Expenditure	Business Process Review £'000	Senior Management Team £'000	Finance & Environmental Services £'000	Partnerships, Major Events & Env Health £'000	Democratic Services £'000	Property, Revenues and ICT £'000	Planning Services £'000	Wellbeing Services £'000	Total £'000
Fees, charges & other service incom	0	0	(3,770)	(591)	(53)	(3,275)	(1,086)	(1,223)	(9,999)
Government grants			(107)	(63)	(0)	(23,726)	(13)	(174)	(24,082)
Total Income	**0**	**0**	**(3,877)**	**(654)**	**(53)**	**(27,001)**	**(1,099)**	**(1,396)**	**(34,081)**
Employee expenses	146	1,067	1,366	830	1,033	2,473	1,717	1,377	10,010
Other service expenses	108	151	6,206	822	599	25,199	418	581	34,085
Support service recharges	0	(7)	(101)	(25)	(23)	(235)	0	(9)	(400)
Total Expenditure	**254**	**1,212**	**7,471**	**1,627**	**1,609**	**27,437**	**2,135**	**1,950**	**43,695**
Net Expenditure	**254**	**1,212**	**3,594**	**973**	**1,556**	**436**	**1,036**	**553**	**9,614**

NFS 29-2 : Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2011/12 £'000	2012/13 £'000
Net Expenditure in the Service Analysis	9,614	9,132
Net Expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,111	6,352
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,823	1,623
Cost of Services in Comprehensive Income and Expenditure Statement	**16,548**	**17,107**

NFS 29.3 : Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Service Analysis £'000	Services and Support Services not in analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(11,438)		(717)	1,814	(186)	(10,527)	(675)	(11,202)
Gain or Loss on Disposal of Fixed Assets						0	(445)	(445)
Interest and investment income						0	(2,157)	(2,157)
Income from council tax						0	(6,417)	(6,417)
Government grants and contributions	(24,749)					(24,749)	(3,280)	(28,029)
Total Income	**(36,187)**	**0**	**(717)**	**1,814**	**(186)**	**(35,276)**	**(12,974)**	**(48,250)**
Employee expenses	9,581		(22)		(4,606)	4,953		4,953
Other service expenses	36,129		618	(192)	(1,279)	35,276	1391	36,667
Support Service recharges	(391)				5,969	5,578		5,578
Depreciation, amortisation and impairment			4,079		(490)	3,589		3,589
Revaluation Losses			2,987			2,987		2,987
Interest Payments							140	140
Precepts & Levies							167	167
Payments Housing Capital Receipts Pool							5	5
Total expenditure	**45,319**	**0**	**7,662**	**(192)**	**(406)**	**52,383**	**1,703**	**54,086**
Surplus or deficit on the provision of services	**9,132**	**0**	**6,945**	**1,622**	**(592)**	**17,107**	**(11,271)**	**5,836**

2011/12 Comparative	Service Analysis £'000	Services and Support Services not in analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(9,999)			2,110	(1,344)	(9,233)	(802)	(10,035)
Gain or Loss on Disposal of Fixed Assets	0						(812)	(812)
Interest and investment income	0						(2,488)	(2,488)
Income from council tax	0						(6,367)	(6,367)
Government grants and contributions	(24,082)				0	(24,082)	(4,045)	(28,126)
Total Income	**(34,081)**	**0**	**0**	**2,110**	**(1,344)**	**(33,315)**	**(14,514)**	**(47,828)**
Employee expenses	9,610		20		(4,796)	4,834		4,834
Other service expenses	34,085		2,662	(287)	(458)	36,002	6,304	42,306
Support Service recharges					6,186	6,186		6,186
Depreciation, amortisation and impairment			3,267		(426)	2,841		2,841
Interest Payments							190	190
Precepts & Levies							156	156
Payments to Housing Capital Receipts Pool								0
Gain or Loss on Disposal of Fixed Assets							19	19
Total expenditure	**43,695**	**0**	**5,949**	**(287)**	**506**	**49,863**	**6,669**	**56,532**
Surplus or deficit on the provision of services	**9,614**	**0**	**5,949**	**1,823**	**(838)**	**16,548**	**(7,845)**	**8,704**

NFS 30: Acquired and Discontinued Operations

The Authority has not acquired nor discontinued any operations during the financial year 2012/13.

NFS 31: Members Allowances

The Authority paid the following amounts to Members of the Authority during the year.

	2011/12 £'000	2011/12 Restated £'000	2012/13 £'000
Salaries	0	0	0
Allowances	167	201	201
Expenses	42	8	9
Total	**209**	**209**	**210**

NFS 32.1: Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

Post Holder Information		Salary, Fees and Allowances £	Bonuses £	Expense Allowances £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total £
Chief Executive - Left 16/9/12	**2012/13**	**51,494**	**0**	**2,830**	**0**	**0**	**54,324**	**7,908**	**62,232**
	2011/12	110,412	0	6,138	0	0	116,550	17,151	133,701
Strategic Director - Left 19/8/12	**2012/13**	**34,660**	**0**	**705**	**0**	**2,000**	**37,365**	**5,298**	**42,663**
	2011/12	88,476	0	810	0	4,800	94,086	13,540	107,626
Strategic Director	**2012/13**	**88,455**	**0**	**5,610**	**0**	**0**	**94,065**	**14,284**	**108,349**
	2011/12	87,502	0	5,610	0	0	93,112	14,284	107,396
Corporate Head of Service	**2012/13**	**72,597**	**0**	**57**	**0**	**3,552**	**76,206**	**11,031**	**87,237**
	2011/12	71,953	0	101	0	3,744	75,798	11,013	86,811
Corporate Head of Service - Left 31/05/11	**2012/13**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2011/12	11,756	0	64	0	624	12,444	1,783	14,227
Corporate Head of Service	**2012/13**	**75,729**	**0**	**42**	**0**	**3,744**	**79,515**	**11,013**	**90,528**
	2011/12	71,558	0	40	0	3,744	75,342	10,698	86,040
Corporate Head of Service	**2012/13**	**72,653**	**0**	**71**	**0**	**3,744**	**76,468**	**11,013**	**87,481**
	2011/12	70,247	0	34	0	3,744	74,025	10,698	84,723
Corporate Head of Service - Left 06/04/11	**2012/13**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2011/12	1,222	0	21	0	0	1,243	178	1,421
Corporate Head of Service - Full time wef 1/10/12	**2012/13**	**65,294**	**0**	**1,320**	**0**	**0**	**66,614**	**9,971**	**76,585**
	2011/12	36,155	0	1,239	0	0	37,394	5,597	42,991
Legal Services Manager	**2012/13**	**54,358**	**0**	**1,239**	**0**	**0**	**55,597**	**8,317**	**63,914**
	2011/12	53,351	0	1,286	0	0	54,637	8,157	62,794
Financial Services Manager Left 22/6/12	**2012/13**	**14,057**	**0**	**105**	**10,000**	**804**	**24,966**	**2,078**	**27,044**
	2011/12	54,949	0	3	0	3,216	58,168	8,313	66,481
Interim Corporate Head of Service - Left 09/06/11	**2012/13**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2011/12	9,610	0	293	0	0	9,903	1,482	11,385
Total	**2012/13**	**529,297**	**0**	**11,979**	**10,000**	**13,844**	**565,120**	**80,913**	**646,033**
	2011/12	667,191	0	15,639	0	19,872	702,702	102,894	805,596

Both the current Chief Executive (wef 10/9/12 and worked 3 days per week) and the Financial Services Manager (wef 8/10/12 and worked 5 days per week) are on secondment from Surrey County Council. As Surrey County Council is the employing Authority, the Officers' remuneration in these two cases will be disclosed in Surrey County Council's Statement of Accounts. For information, payments have been made to Surrey County Council towards the costs of these two members of staff during 2012/13 in the sum of £53,792 (Chief Executive) and £39,680 (Financial Services Manager).

NFS 32.2: Remuneration Bands

The Authority's employees receiving more than £50k remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2011/12 Number of employees Total	2011/12 Number of employees Left during the year	2012/13 Number of employees Total	2012/13 Number of employees Left during the year
£50,000 - £54,999 *	7	1	5	0
£55,000 - £59,999	2	0	1	0
£60,000 - £64,999 **	1	0	1	0
£65,000 - £69,999	2	2	2	1
£70,000 - £74,999	2	0	0	0
£75,000 - £79,999	2	0	3	0
£80,000 - £84,999	0	0	0	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	2	0	2	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	1	1
£115,000 - £119,999	1	0	0	0
TOTAL	**19**	**3**	**15**	**3**

The 'Total' column includes for those members of staff that have left during the year.

* One of the officers shown here works part time hours.Their salary has been annualised for this exercise.

** The Officer shown here is on a secondment to another Authority for part of their working week. For this exercise, their salary has been annualised.
Both the current Chief Executive (wef 10/09/12) and the Financial Services Manager (wef 08/10/12) are on secondment from Surrey County Council. As Surrey County Council is the employing Authority the officers' remuneration in these two cases will be disclosed in Surrey County Council's Accounts. Therefore, these two members of staff are not included in the table above.

NFS 32.3: Exit Packages

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

Exit package cost bank (including special payments)	Number of compulsory redundancies 2011/12	Number of compulsory redundancies 2012/13	Number of other departures agreed 2011/12	Number of other departures agreed 2012/13	Total number of exit packages by cost band 2011/12	Total number of exit packages by cost band 2012/13	Total cost of exit packages in each band 2011/12 £	Total cost of exit packages in each band 2012/13 £
£0 - £20,000	1	0	8	2	9	2	93,648	16,000
£20,001 - £40,000	0	0	*2	0	2	0	64,495	0
£40,001 - £60,000	0	0	3	*1	3	*1	141,431	45,289
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	2	0	2	0	186,039	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**1**	**0**	**15**	**3**	**16**	**3**	**485,613**	**61,289**

* One employee has taken flexible early retirement whereby they have reduced the hours they work each week. The costs associated with this have been included in the table above.

NFS 33: External Audit Costs

The Authority 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 Authority's external auditors - Grant Thornton.

	2011/12 £'000	2012/13 £'000
Fees payable to Grant Thornton in 2012/13, comparative year paid to the Audit Commission, with regard to external audit services carried out by the appointed auditor for the year	162	61
Fees payable to Grant Thornton in 2012/13, comparative year paid to the Audit Commission, for the certification of grant claims and returns for the year	26	32
Fees payable in respect of other services provided by Grant Thornton during the year and the Audit Commission for the comparative year		1
Total	**188**	**94**

Costs in 2011/12 include for additional work on the 2010/11 audit of the Statement of Accounts.

NFS 34.1: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

Credited to Taxation and Non Specific Grant Income	2011/12 £'000	2011/12 Restated £'000	2012/13 £'000
Revenue Support Grant	848	694	51
New Homes Bonus	140	169	324
Community Right to challenge	0	0	9
Community Right to buy	0	0	5
DEL Contingency	0	0	3
Capital Grants and Contributions	0	812	89
Sub Total	**988**	**1,675**	**481**
Council Tax Freeze Grant	153	154	154
Sub Total	**1,141**	**1,829**	**635**

Credited to Services	2011/12 £'000	2012/13 £'000
Housing Benefit Allowance subsidy	19,117	19,627
Council Tax Benefit Subsidy	3,899	4,035
Housing Benefit Rent Rebate subsidy	119	145
Housing Benefit Admin Grant	440	416
Other Grants	428	399
Donations	38	35
Total	**24,041**	**24,657**

NFS 34.2: Grants - Current Liabilities

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31 March 2012 £'000	31 March 2012 Restated	31 March 2013 £'000
Grants Receipts in Advance-Capital Grants			
s106 (Developer infrastructure) contributions	382	382	392
Total	**382**	**382**	**392**

	31 March 2012 £'000	31 March 2012 Restated £'000	31 March 2013 £'000
Grants Receipts in Advance-Revenue Grants			
- grants received from government departments	80	137	249
Total	**80**	**137**	**249**

NFS 35: Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 34.

NFS 35: Related Parties cont….

Members

Members have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 31. Members received a schedule of MVDC grant funded bodies and confirmed or otherwise that they or any close member of their family held no positions of influence. The Executive approved 23 grants (sixteen in 2011/12) totalling £816,080 (£994,694 in 2011/12) to the following voluntary and community organisations in which 20 Council Members (thirteen in 2011/12 had positions on the governing body.

In all instances the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of those transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Offices during office hours.

The payment to Dorking Rugby Football Club was by way of a contribution to the redevelopment of the pavilion at the Big Field, Brockham. The payment to the Trustees of the Sydney Simmons Homes was by way of a contribution towards the building of affordable housing properties in the district.

Voluntary Organisation	2012/13 Grant Payable (£)
Dorking Rugby Football Club	472,153
Trustees of the Sydney Simmons Homes	175,500
Thomas Flack Grants	48,564
Voluntary Action Mid Surrey	18,600
South Bookham Youth and Community Association Ltd (Thomas Flack)	16,114
Lower Mole Countryside Management	16,002
Ashtead Peace Memorial Hall	15,000
Bookham Community Association (Thomas Flack)	8,000
Beare Green Village Hall Community Association	6,260
South Bookham Youth and Community Association Ltd	6,063
Surrey Wildlife Trust (Gatwick Greenspace Partnership)	5,920
Mole Valley Arts Alive Festival	5,200
Surrey Hills Area of Outstanding Natural Beauty (AONB)	4,760
Surrey Community Action (Housing related)	4,000
Surrey Community Action (Capital related)	2,000
Holmwood Parish Council	1,637
Surrey County Council (Strategic Aviation Special Interest Group (SASIG))	1,580
Bookham Residents Association	1,400
Brockham Parish Council	425
Fetcham Residents Association	90
Headley Parish Council	73
Charlwood Parish Council	6,539
Gatwick Area Conservation Campaign	200
	816,080

Officers

The Strategic Management Team (comprising of the Chief Executive, Strategic Director and four Corporate Heads of Service - together with two former SMT members who have left the Council) were requested to complete a declaration in respect of themselves and any close member of their family stating that they know of no relationship which requires a related party disclosure. There were no disclosed material related party transactions during the year.

Other Public Bodies (subject to common control by central government)

The Authority has significant transactions with both Surrey County Council and Surrey Police Authority and these are included in the Collection Fund.

Entities Controlled or Significantly Influenced by the Authority

The Authority has no dealings with entities that are controlled or significantly influenced by the authority.

NFS 36: Capital Expenditure and Capital Financing

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

	2011/12 £'000	2012/13 £'000
Opening Capital Financing Requirement	3,921	3,762
Capital investment		
Property, Plant and Equipment *	2,131	1,199
Heritage Assets *	21	84
Investment Properties *	44	15
Intangible Assets *	155	76
Revenue Expenditure Funded from Capital under Statute	2,529	1,536
Sources of finance		
Capital receipts	(3,880)	(2,092)
Government grants and other contributions	(529)	(594)
Sums set aside from revenue:		
• Direct revenue contributions	0	
• Developer contributions	(388)	(195)
• MRP	(242)	(399)
Closing Capital Financing Requirement	**3,762**	**3,392**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	(242)	(399)
Assets acquired under finance leases	83	29
Increase/(decrease) in Capital Financing Requirement	**(159)**	**(370)**

* These figures should match to the Additions lines in the notes detailing movements on the non-current asset. The list is not exhaustive and may include eg. Heritage Assets. (Notes 12 to 15 refer)

NFS 37-1.1: Leases - Authority as Lessee - Finance Leases

Finance Leases

The Council has acquired some new office equipment under finance leases.
The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts. The 2011/12 balance has been restated in both this note and Note 12 (NB. This is a disclosure amendment and not an adjusting event)

	2011/12 £'000	2011/12 Restated £'000	2012/13 £'000
Other Land and Buildings	2,048	2,048	1,973
Vehicles, Plant, Furniture and Equipment	1,319	1,047	617
Finance Leased Assets	**3,367**	**3,095**	**2,590**

Finance Leases - Minimum Lease Payments

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

	2011/12 £'000	2012/13 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	124	400
• non current	4,206	3,301
Finance costs payable in future years	(398)	(177)
Minimum lease payments	**3,932**	**3,524**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-12 £'000	31-Mar-13 £'000	31-Mar-12 £'000	31-Mar-13 £'000
Not later than one year	124	400	124	400
Later than one year and not later than five years	1,620	1,271	1,241	1,018
Later than five years	2,586	2,030	2,567	2,106
Minimum Lease payments payable	**4,330**	**3,701**	**3,932**	**3,524**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 there were no contingent rents payable by the Authority (2011/12 nil).

NFS 37-1.2: Authority as Lessor - Finance Leases

Finance Leases

The Council has leased out property to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) on a finance lease with a remaining term of 32 years. There is also a 'head lease' arrangement whereby it is leased back to Mole Valley District Council for the lease of the Swan Centre Buildings. These are also shown within the 'Lessee' section and are subject to separate arrangements. The present value of lease payments receivable under the finance lease arrangements is recognised as a receivable and included in both short and long term debtors. The difference between the gross amount receivable and the present value of the amounts receivable is recognised as unearned finance income. The gross investment is made up of the following amounts:

	31 March 2012 £'000	31 March 2012 Restated £'000	31 March 2013 £'000
Gross receivables - Finance lease debtor (net present value of minimum lease payments)	1,849	1,849	1,774
Unguaranteed residual value of property :			
• current	(49)	(49)	(44)
• non current	(830)	(830)	(848)
Unearned finance income		(879)	(892)
Gross investment in the lease	**970**	**970**	**882**

The gross investment in the lease and the minimum lease payments will be received over the following periods

	Gross Investment in the Lease			Minimum Lease Payments	
	31 March 2012 £'000	31 March 2013 £'000		31 March 2012 £'000	31 March 2013 £'000
Not later than one year	49	44		49	44
Later than one year and not later than five years	196	176		196	176
Later than five years	1,604	1,715		725	706
Gross Investment in the Lease payments	**1,849**	**1,935**		**970**	**926**

NFS 37-2.1: Leases - Authority as Lessee - Operating Leases

The Authority has operating leases for two sites in Leatherhead used for car parking. The lease for the Leatherhead helpshop ended in March 2013 and the lease for Pippbrook basement ended on 30th January 2012. The amounts paid under these arrangements in 2012/13 were £0.049m (£0.049m in 2011/12). The Council's courier vehicle is on a 3-year contract hire agreement payment of £0.003m was made in 2012/13 (£0.003m in 2011/12).

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

	2011/12 £'000	2012/13 £'000
Not later than one year	52	53
Later than one year and not later than five years	117	40
Later than five years	14	13
Total	**183**	**106**

NFS 37-2.2: Leases - Authority as Lessor - Operating Leases

Operating Leases

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

- for the provision of community services, such as sports facilities, gypsy sites, allotments and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

	31 March 2012 £'000	31 March 2013 £'000
Not later than one year	2,202	2,286
Later than one year and not later than five years	7,217	7,199
Later than five years	56,052	50,989
Total	**65,471**	**60,474**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 no contingent rents were receivable by the Authority.

NFS 38: Private Finance Initiatives and Similar Contracts

In accordance with IFRIC 12 'Service Concession Arrangements' the Authority has not acquired any Assets under a PFI arrangement or similar contract during the year or in previous years.

NFS 39: Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to the other Comprehensive Income and Expenditure. There is no indication of impairment during the year in the Property, Plant and Equipment and Intangible Asset balances.

NFS 40: Capitalisation of Borrowing Costs

Mole Valley became debt free on the 1st April 1997 and has not had an underlying need to borrow, it therefore does not have a current requirement to capitalise borrowing costs.

NFS 41.1: Defined Benefit Pension Schemes

Participation in pension schemes

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

The Authority participates in one post employment scheme:

- The Local Government Pension Scheme, administered locally by Surrey County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to post employment benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/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:

NFS 41.1: Defined Benefit Pension Schemes cont….

	Local Government Pension	
	2011/12 £'000	2012/13 £'000
Cost of Services:		
• Current service cost	1,224	1,181
• Past service costs / (gains)	47	0
• Settlements and curtailments	205	0
Financing and Investment Income and Expenditure		
• Interest cost	3,646	3,428
• Expected return on scheme assets	(3,384)	(2,789)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,738**	**1,820**
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		
• Actuarial (gains) and losses	2,858	8,153
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**4,596**	**9,973**
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,738)	(1,820)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	1,564	1,579
Net Charge to the General Fund Retirement Benefits payable to pensioners	**(174)**	**(241)**

The amount of actuarial gains and losses in the Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2013 a loss of £3.248m in year (cumulative losses £23.293m) and at 31 March 2012 was a loss of £5.349m (cumulative losses of £20.045m).

NFS 41.2: Assets and Liabilities in Relation to Post - Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	2011/12 £'000	2012/13 £'000
Opening balance at 1 April	66,934	72,136
Current service cost	1,160	1,114
Interest cost	3,646	3,428
Contributions by scheme participants	432	412
Actuarial gains and losses	2,858	8,153
Benefits paid	(3,146)	(2,964)
Past service costs / (gains)	47	0
Curtailments	205	0
Closing balance at 31 March	**72,136**	**82,279**

NFS 41-3: Termination Benefits - Fair Value of Scheme

Reconciliation of the fair value of the scheme (plan) assets:

	Local Government Pension Scheme 2011/12 £'000	Restated 2011/12 £'000	2012/13 £'000
Opening balance at 1 April	49,539	49,539	49,439
Expected rate of return	3,384	3,384	2,789
Actuarial gains and losses	(2,491)	(2,491)	4,905
Employer contributions	1,668	1,721	1,512
Contributions by scheme	432	432	412
Benefits paid	(3,146)	(3,146)	(2,964)
Closing balance at 31 March 2013	**49,386**	**49,439**	**56,093**

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

The actual return on scheme assets in the year was £2.789m (2011/12: £3.384m)

NFS 41-4: Termination Benefits - Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	Restated 2011/12 £'000	2012/13 £'000
Present value of liabilities	(51,847)	(75,046)	(66,934)	(72,136)	(72,136)	(82,279)
Fair value of assets in the Pension Scheme	32,058	46,025	49,539	49,386	49,439	56,093
Surplus/(deficit) in the scheme:	**(19,789)**	**(29,021)**	**(17,395)**	**(22,750)**	**(22,697)**	**(26,186)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £82.28m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £26.24m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2014 is £1,489,000.

NFS 41-5: Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2011/12	2012/13
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.30%	4.50%
Bonds	3.90%	4.50%
Property	4.40%	4.50%
Cash	3.50%	4.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.9 yrs	21.9 yrs
- Women	24.0yrs	24.0 yrs
Longevity at 65 for future pensioners:		
- Men	23.9 yrs	23.9 yrs
- Women	25.9 yrs	25.9 yrs
Rate of inflation	2.50%	2.80%
Rate of increase in salaries	4.80%	5.10%
Rate of increase in pensions	2.50%	2.80%
Rate for discounting scheme liabilities	4.80%	4.50%
Take up of option to convert annual pension into retirement lump sum		
Service to April 2008	25%	25%
Service post April 2008	63%	63%

NFS 41-6: History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(0.45)	(0.10)	0.00	(3.90)	11.20
Experience gains and losses on liabilities	0.00	0.01	6.37	1.35	(0.10)

NFS 42: Contingent Liabilities

The Council is involved in defending a High Court challenge concerning the decision it made on a planning application. The case is quite complex and external legal costs have already been incurred in dealing with preliminary stages of responding to the application made to the Court. If the Court grants permission for the case to proceed, there will be a formal hearing of the issues, and the amount of external legal costs will increase proportionately. A provision of £34,000 has been made for these costs in the Statement of Accounts in 2012/13. Should the Council be unsuccessful in defending the case it is most likely that, in addition to its own costs, it will have to pay the greater proportion of the claimant's costs, which at this point are unknown.

NFS 43: Contingent Assets

In 2012/13 the Council made a decision to explore the development of an area of land adjacent to the motorway in Leatherhead potentially for commercial or residential purposes.

NFS 44: Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Authority's activities expose it to a variety of financial risks. The Authority does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

Credit risk : the possibility that other parties might fail to pay amounts due to the Authority;

Liquidity risk : the possibility that the Authority might not have funds available to meet its commitments to make payments;

Re-financing risk : the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms or the possibility that the Authority might not have funds available to meet its commitments to make payments;

Market risk : the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management in the Public Services Code of Practice;

NFS 44: Nature and Extent of Risks Arising from Financial Instruments cont….

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations / standing orders / constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - o The Authority's overall borrowing;
    - o Its maximum and minimum exposures to fixed and variable rates;
    - o Its maximum and minimum exposures to the maturity structure of its debt;
    - o Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the start of the new financial year. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members (a report will be presented to Audit Committee in September) with a mid-year update being presented to Audit Committee in January each year.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 21st February 2012 and is available on the Authority's website. The key issues within the Strategy were:

- The Authorised Limit for 2012/13 was set at £5.5m. This is the maximum limit of external borrowings or other long term liabilities. This represents a limit beyond which external debt is prohibited.
- The Operational Boundary was expected to be £4m. This is the expected maximum level of external debt during the course of the year and focuses on day-to-day treasury management activity. This limit is lower than the Authorised Limit because cash flow activities may lead to occasional, but not sustained, breaches of the operational boundary.
- The maximum amounts of fixed and variable interest rate exposure, investments only, were set at 100% and 17% respectively.
- The maximum and minimum exposures to the maturity structure of debt were both set at 0% for 2012/13.

These policies are implemented by the Authority which maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the calculation and monitoring of Prudential Indicators 2012/13 – 2014/15 and adoption of the Treasury Management Strategy and Plan 2012/13 (approved by Council on 21st February 2012), which requires that deposits are not made with financial institutions unless they meet the minimum requirements of the investment criteria, in accordance with Fitch, Moody's and Standard and Poor's ratings services, contained in the above report.

NFS 44: Nature and Extent of Risks Arising from Financial Instruments cont….

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

• The Authority will only use banks which are UK banks and/or are non-UK and domiciled in a country which has a minimum Sovereign long- term rating of AAA.

• And have, as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings (were rated);

• Credit ratings of Short Term of F1/P-1/A-1, Long Term A, Support 3 (Fitch only) and Individual/Financial Strength C (Fitch/Moody's only), with the lowest available rating being applied to the criteria.

• UK institutions provided with support from the UK Government;

• Building societies with assets in excess of £1bn

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks (individual or group) and building societies of £7.5m 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 recoverability applies to all of the Authority's deposits, but there was no evidence at the 31st March 2013 that this was likely to occur.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any counter-parties in relation to deposits placed. The Authority does not generally allow credit for its customers, such that £1.272m of the 2012/13 £3.040m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2011/12 £' 000	2012/13 £' 000
Within payment terms	131	116
Less than three months	945	886
Three to six months	168	40
Six months to nine months	167	73
More than nine months	101	157
Total	**1,512**	**1,272**

NFS 44: Nature and Extent of Risks Arising from Financial Instruments cont….

Collateral - The Authority has not either pledged collateral for liabilities or contingent liabilities, or held collateral which is permitted to sell or re-pledge the collateral even if there has been no default.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed. In the event of unexpected cash requirements, the Authority has ready access to borrowings from the money markets to cover any day to day cash flow need and the Public Works Loans Board (PWLB) and money markets for access to longer term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority has no long-term financial liabilities. The maturity analysis of financial assets, excluding sums due from customers, is as follows:

Liquidity Risk	2011/12 £'000	2012/13 £'000
Less than 1 year	13,250	11,500
Between 1 and 2 years	2,000	0
Between 2 and 3 years	0	2,000
More than 3 years	2,000	0
Total	**17,250**	**13,500**

Trade Debtors of £3.040m are not shown in the table above.

NFS 44: Nature and Extent of Risks Arising from Financial Instruments cont….

The Code requires the carrying amount of financial instruments to be included in the Balance Sheet. However, this inclusion will be in two separate parts. For long-term investments, the Balance Sheet carrying amount will be split to exclude accrued interest due in the next 12 months. This will be shown and separately identified in current assets. Short-term financial investments carrying amounts will be shown in current assets with accrued interest identified separately as for long-term investments.

Refinancing and Maturity Risk

The Authority maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer-term financial assets.

The approved prudential indicator limiting investments placed for greater than one year in duration is the key parameter use to address this risk. The Authority's approved treasury and investment strategies address the main risks and the Authority's Finance Team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day-to-day cash flow needs, and the spread of investments provide stability of maturities and returns in relation to future cash flow needs.

The Authority has no long-term financial liabilities and has in fact been debt free since 1st April 1997.

Market Risk

Interest rate risk - The Authority is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and Plan draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Authority monitors market rates and forecasts interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. All of the Authority's investments are classified as Loans and Receivables and therefore any change in the fair value resulting from changes in interest rates would have no effect upon the figures contained within the accounts.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

NFS 44: Nature and Extent of Risks Arising from Financial Instruments cont….

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(235)
Impact on Surplus or Deficit on the Provision of Services	(235)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate	**0**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk - The Authority does not invest in equity shares or marketable bonds and is therefore not exposed to losses arising from movements in the prices of such shares.

Foreign exchange risk - The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NFS 45. Heritage Assets: Five-Year Summary of Transactions

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Cost of Acquisitions of heritage assets	0	0	0	0	0
Heritage Buildings	0	0	0	21	76
Art Collection	0	0	0	0	8
Total cost of Purchases	**0**	**0**	**0**	**21**	**84**
Total Donations	**0**	**0**	**0**	**0**	**0**
Disposals of Art Collection Assets					
Carrying Value	**0**	**0**	**0**	**0**	**0**
Proceeds	**0**	**0**	**0**	**0**	**0**
Disposals of Ceramics					
Carrying Value	**0**	**0**	**0**	**0**	**0**
Proceeds	**0**	**0**	**0**	**0**	**0**
Impairment recognised in the period					
Ceramics	**0**	**0**	**0**	**0**	**0**
Art Collection	**0**	**0**	**0**	**0**	**0**

NFS 46. Trust Funds

The Authority acts as a custodian trustee for 3 trust funds. As a custodian trustee the Authority holds the property and monies but takes no decision on its use. The funds do not represent the assets of the Authority and therefore they have not been included in the Balance Sheet.

Funds for which the Authority acts as a custodian trustee:

For the Year 2012/13	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Mayflower fund raising and endowment fund	0	0	4	0
Fairfield fund raising and endowment fund	16	15	21	0
Thomas Flack fund				
- Net Carrying Value Assets	32	49	520	0
Total	**48**	**64**	**545**	**0**

Funds for which the Authority acts as a custodian trustee:

For the Year 2011/12	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Mayflower fund raising and endowment fund	1	16	4	0
Fairfield fund raising and endowment fund	14	12	19	0
Thomas Flack fund				
- Net Carrying Value Assets	44	64	539	0
Total	**59**	**92**	**562**	**0**

NFS 47 Collection Fund

Introduction

This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as a billing authority in relation to National Non-Domestic Rates (NNDR) and Council Tax. It illustrates the way in which these have been distributed to precepting authorities and the Council's own General Fund.

Collection Fund for the Year Ended 31 March 2013

	Notes	2011/12 £'000	2012/13 £'000
Income			
Council Tax receivable	1	56,447	58,330
Council Tax Benefits		3,854	3,993
Business Rates (NNDR)		34,947	35,522
Total Income		95,248	97,845
Expenditure			
Precepts and Demands	2	59,757	61,565
Business Rates:	3		
Payments to National Pool		34,797	35,368
Cost of Collection		150	154
Bad and Doubtful Debts:	4		
Written-off during the year		30	135
Increase in Provision for Bad and Doubtful Debts		50	20
Contribution to Collection Fund Surplus	5	680	475
Total Expenditure		95,464	97,717
Deficit/(Surplus) for the Year		**216**	**(128)**
Add Opening Balance as at 1 April		(579)	(363)
Closing Balance as at 31 March		**(363)**	**(491)**

Organisation		2011/12 £'000	2012/13 £'000
Mole Valley District Council		39	51
Surrey County Council		275	374
Surrey Police		49	66
		363	**491**

NFS 47.1 - Council Tax Base

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund in the forthcoming year by the Council and its preceptors (authorities we collect Council Tax for).

The Council's preceptors are:
- Surrey County Council
- Surrey Police Authority
- 13 Parish Councils

The total Council Tax requirement is then divided by the Council Tax Base.

The Council Tax Base is calculated before the start of the year by estimating the number of dwellings in each valuation band (adjusted for discounts where applicable) and converting this into an equivalent number of "Band D" dwellings.

The calculation of the Council Tax Base for 2012/13 (with comparative figures for 2011/12) is set out below:

Valuation Band	Range of Values	Estimated Number of Properties	Multiplier	2011/12 Band D Equivalent	2012/13 Band D Equivalent
A	Up to £40,000	1,253	6/9	833	835
B	£40,000 to £52,000	1,872	7/9	1,441	1,456
C	£52,001 to £68,000	3,184	8/9	2,831	2,830
D	£68,001 to £88,000	7,024	9/9	6,988	7,024
E	£88,001 to £120,000	6,224	11/9	7,614	7,607
F	£120,001 to £160,000	5,583	13/9	8,013	8,065
G	£160,001 to £320,000	6,903	15/9	11,475	11,505
H	More than £320,000	891	18/9	1,772	1,782
				40,967	**41,104**
	Less Allowance for Non-collection			(409)	(411)
	Add Crown properties (in lieu)			82	82
	Council Tax Base			**40,640**	**40,775**

The average "Band D" Council Tax for 2012/13, excluding parishes was £1,504.80, (£1,466.55 in 2011/12)

NFS 47.2 Preceptors

The total Demand on the Collection Fund by the Council and its preceptors is set out below.

	2011/12 £'000	2012/13 £'000
Surrey County Council	45,369	46,908
Surrey Police & Crime Commissioner	8,069	8,303
Mole Valley District Council	6,163	6,187
Parish Councils	156	167
	59,757	**61,565**

Parish Council Precepts are set out below

	2011/12 £'000	2012/13 £'000
Abinger	20	21
Betchworth	7	7
Brockham	15	16
Buckland	8	8
Capel	30	30
Charlwood	24	28
Headley	8	11
Holmwood	9	12
Leigh	7	10
Mickleham	3	3
Newdigate	9	9
Ockley	13	9
Wotton	3	3
	156	**167**

NFS 47.3.1 NNDR Rateable Values

The Council collects Business Rates for the district, which are based on rateable values multiplied by a uniform rate (or 'poundage') set by central government. Information on rateable values and the poundage rates are set out below.

	2011/12	2012/13
Non-Domestic Rateable Value	£90.79m	£90.66m
Standard Business Rate	43.3p	45.8p
Small Business Rate	42.6p	45.0p

NFS 47.3.2 Payments to the Pool

The total amount of NNDR collected, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool), which is redistributed back to local authorities on the basis of a standard amount per head of the local adult population. The payment to the national pool is set out below.

	2011/12 £'000	2012/13 £'000
Gross NNDR Due	38,661	40,490
Less Allowances and Other Adjustments	(3,864)	(5,122)
Payment to the NNDR Pool	34,797	35,368

NFS 47.4 Bad and Doubtful Debts

Bad and Doubtful Debts
A provision of £0.400m has been made for Council Tax estimated to be uncollectable as at 31st March 2013, (£0.380m in 2011/12). This provision is based on a realistic assessment of the likely non-collection of Council Tax calculated by reference to the age of the debt. Write-offs of Council Tax in the year amounted to £0.135m (£0.030m in 2011/12).

A provision of £0.275m has been made for Business Rates estimated to be uncollectable as at 31st March 2013, (£0.215m in 2011/12). Write-offs of Business Rates in 2012/13 were £0.195m (£0.295m in 2011/12). These have been netted off the NNDR income figure in the Collection Fund.

NFS 47.5 Contribution towards Collection Fund Surplus

This represents payments made to precepting authorities during the year to clear the surplus on the Fund estimated for the previous year on 15th January of that year.

NFS 47.6 Prior Year Adjustment

NNDR income and payments to the National Pool were deferred between 2009/10 to 2011/12. These amounts have been included in the comparitive statement of the 2011-12 accounts and the NNDR Returns for 2011-12

NFS 47.7 Business Rates Deferral Scheme

A new scheme has been introduced in 2012/13 with businesses able to defer payment of 3.2% of their 2012/13 rates bill until 2013/14 and 2014/15.

GLOSSARY

For the purpose of compiling the Statement of Accounts, the following definitions have been adopted:

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(i) Recognising
(ii) Selecting measurement bases for, and
(iii) Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accounting Standards

Accounting Standards is a set of rules explaining how accounts are to be prepared. By law, local authorities must follow 'proper accounting practices', which are set out in an Act of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
(b) The actuarial assumptions have changed.

Assets

These can either be:

• Non-current assets, tangible assets that give benefits to the Authority for more than one year.
• Community assets, assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.
• Council dwellings, these are owned by the Authority providing services to the communities. e.g leisure centres, libraries and museums.
• Vehicles, these assets are used by the Authority for the direct delivery of services, eg Refuse Freighters

• Equipment, held by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the Authority.
• Infrastructure assets, non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such non-current assets are highways and footpaths that cannot be transferred to another owner.
• Investment property includes land and buildings held by the Authority that are awaiting sale or development. This category also includes some property let on a commercial basis as well as some property that is for the good of the community.
• Non-operational assets, non-current assets held by an authority but not used or consumed in the delivery of services or for the service or strategic objectives of the Authority. Examples of nonoperational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Authority and the rental income is negotiated at arm's length.
• Intangible assets, these are usually stand alone intellectual property rights such as software licences that, although they have no physical substance are right to be shown on the Balance Sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

Balance Sheet

The Balance Sheet is a statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Benefits

Benefits can be received in the form of future economic benefits or in the form of service potential. Assets that are used to deliver goods and services in accordance with the reporting Authority's objectives but which do not directly generate net cash inflows can be described as embodying 'service potential'. Assets that are used to generate net cash inflows can be described as embodying 'future economic benefits'.

Billing Authority

A local authority empowered to set and collect council tax, and manage the Collection Fund, on behalf of itself and local authorities in its area.

Capital Expenditure

Capital Expenditure is the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing asset. It is not necessary for the asset to be owned by the Authority e.g. renovation grants.

Capital Receipts

Proceeds from the sale of non-current assets (land, buildings and plant).

GLOSSARY

Collection Fund

The Fund, administered by a billing Authority, into which council taxes are paid, and from which payments were made to the general fund of billing and major precepting authorities. NNDR collected by a billing Authority is also paid into the Fund before being passed on to central government for distribution to local authorities.

Community Assets

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Contingent Liability

A contingent liability is a possible obligation that arises from past events but whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control. It can also be a present obligation arising from past events but where a transfer of economic benefits to settle the obligation is not probable or where the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Deferred Capital Receipts

These represent amounts derived from the sale of assets, which will be received in instalments over agreed periods of time, such as payments from mortgages on the sale of council houses.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further

contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current year and prior periods.

GLOSSARY

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Direct Revenue Financing

Resources provided from the revenue account to finance capital expenditure.

Events after the Balance Sheet Date (Post Balance Sheet Events)

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the statement of accounts is authorised for issue.

International Financial Reporting Standards (IFRS)

(International) Financial Reporting Standards issued by the Accounting Standards Board requiring information to be shown in accounts.

General Fund

The main fund of the Authority. The balance on the General Fund compares the Authority's spending against the Council Tax that it raised for the year but also takes into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Government Grants

The amounts of money the Authority receives from the Government and inter-government agencies to help fund both general and specific activities.

Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA)

The account which shows the income from and expenditure on the provision of council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset, greater than normal depreciation, below its carrying amount in the balance sheet.

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and footpaths.

Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until after a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Joint Venture

A joint venture is where a parent local authority holds an interest on a long term basis in an organisation and that organisation is jointly controlled by the local authority and one or more other entities under a contractual arrangement.

Leases

These may be finance leases that transfer the risks and rewards of ownership of an asset to the Authority. Alternatively they may be operating leases that are more akin to a hire agreement.

Liabilities

Amounts the Authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Construction Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision (MRP)

The minimum amount that the Authority must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes.

National Non-Domestic Rates (NNDR)

The rates paid by businesses. These rates are collected by local authorities under what is, in substance, an Agency Arrangement with the government. They are then redistributed to local authorities on the basis of relevant population. Often referred to as Business Rates.

Net Book Value (NBV)

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation. The NBV should not be taken to represent a current market value.

Non-Distributed Costs

These are defined as certain past pension costs, the costs associated with unused shares of IT facilities and the costs of shares of other long-term, unused but unrealisable assets. They cannot be charged to service revenue accounts.

Operational assets

Non-current assets held and occupied, used and consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

Outturn

Actual income and expenditure in a financial year.

Pension Funds

For the Local Government Pension Scheme, these are the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of the employee.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Precept

The amount of income demanded of the Collection Fund by an Authority entitled to such income. Council Tax collected on behalf of non-charging authorities i.e. Surrey County Council, Surrey Police, and Parish Councils.

Preceptor

An Authority entitled to demand money of the Collection Fund. The preceptors on Mole Valley District Council's Collection Fund are the Authority itself and the Authorities above.

Property, Plant & Equipment

Tangible assets that yield benefits to the Authority and its services for a period of more than one year.

Provisions

Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure; expenditure against a provision is therefore not charged to revenue as this would be double counting.

Prudential Borrowing

Borrowing by local authorities without government financial support, but in accordance with the CIPFA Prudential Code for local Authority borrowing.

Prudential Code

A professional code of practice prepared by CIPFA, for the prudential system introduced on 1 April 2004. Local authorities are required by legislation to have regard to the code.

Public Works Loans Board (PWLB)

A Government body that lends money to local authorities for periods in excess of one year, often at preferential interest rates.

Rateable Value

Assessment by the Inland Revenue of a property's value from which rates payable is calculated.

Related Parties

Two or more parties are related parties when at any time during the financial period:
(i) one party has direct or indirect control of the other; or
(ii) the parties are subject to common control from the same source; or
(iii) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(iii) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves

Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts, as against provisions, where it is not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

Revenue Expenditure

The day-to-day costs of running Authority services.

Revenue Support Grant (RSG)

A general grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and council tax. Revenue support grant is distributed as part of formula grant.

Service Reporting Code of Practice (SeRCOP)

The CIPFA SeRCOP replaced the previous Best Value Accounting Code of Practice (BVACOP) in order to reflect the requirements of the Transparency Agenda and the different legislative frameworks in each UK Administration. SeRCOP establishes proper practices with regard to consistent financial reporting for services. It is an official CIPFA statement. All the local authorities in the UK are expected to adopt its mandatory requirements and detailed recommendations. The structure is as follows:

- the definition of total cost
- service expenditure analysis
- recommended standard subjective analysis

Subsidiary

An organisation is a subsidiary of a parent local authority if the authority has either a majority share in the organisation or exercises a dominant influence over it.

Support Services

The provision of technical, organisational and administrative support to front-line services.

Useful life

The period over which the local authority will derive benefits from the use of a fixed asset.

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