Item4-Appendix A

Mole Valley
District Council

STATEMENT OF ACCOUNTS

2015/16

STATEMENT OF ACCOUNTS

For the year ended 31 March 2016

CONTENTS

NARRATIVE REPORT

Introduction

The Statement of Accounts for the year ended 31st March 2016 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 2015. Mole Valley's finances, in common with all other local authorities, are complex by nature and must retain a degree of transparency due to the nature of Local Government Finance and Statute. Although the Council attempts to present the Accounts in an understandable way, a large amount of the detail and the format is prescribed by law.

The purpose of this report 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 the reader in the interpretation of the accounting statements.

Overview

During a period of low interest rates and economic uncertainty, the Authority was able to maintain a healthy and balanced budget through effective budgetary control and performance monitoring.

Mole Valley's capital spending for the year was £6.69m. The Authority funded its capital investment by utilising internal balances and continues to remain debt-free. Future investment opportunities via increased levels of capital investment are anticipated in 2016/17 that may require a capital borrowing requirement and a debt financing strategy.

Budgeted Income & Expenditure

The budget requirement for Mole Valley was £10.055m for 2015/16. At 31 March, the total net expenditure was £9.983m, leaving the Council with a reported underspend of £72,000 against budgeted costs to the Executive. There have been further changes to the reported underspend of £72,000 making the final outturn figures as follows:

- Mole Valley District Council Budget £10.055m against a revised net expenditure of £9.626m resulting in final outturn of £429,000 underspend. After final transfers to reserves of £0.999m against the £9.626m expenditure, this resulted in a final outturn for Net Cost of Services of £8.627m. This is shown within the Segmental Analysis at Note 25.1.

The main underspend variations contributing to this net position were:-

- A number of minor underspends in a variety of areas - on the street cleaning contract (£29,000), staff vacancies (£15,000), additional rent at Pixham Depot (£18,000) and Depot utility savings (£11,000) – combined to produce a total underspend on Environmental Services of £88,000;

- Additional income on Telecare and Dial-A-Ride were the reasons for an underspend on Community Support Services of £60,000;

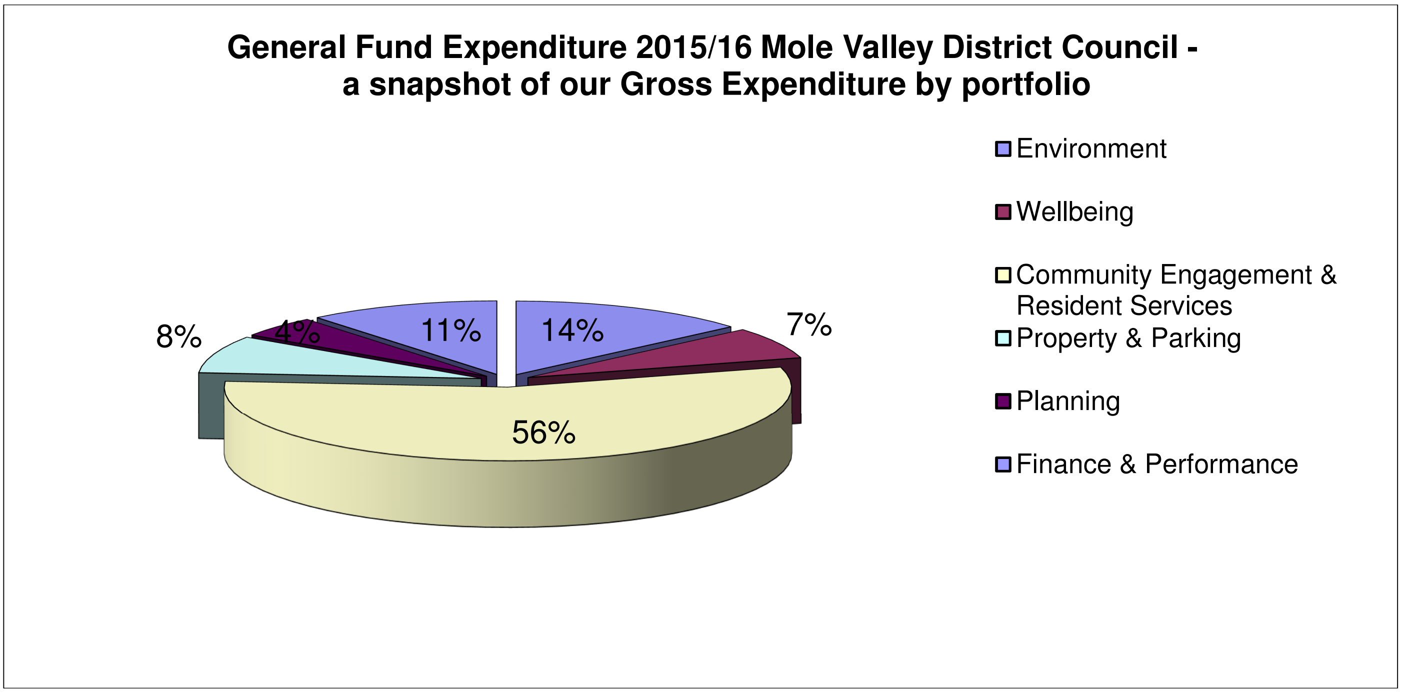
- On Planning, staff vacancies and higher levels of land charge income produced underspends of £56,000 on planning Policy and £123,000 on Planning Support;

- ICT underspent by £101,000 as a result of delays on the implementation of the Shared Data Centre with the County.

The list of underspends above were countered by additional expenditure of £0.3m relating to the Transform Leatherhead project. The Council had agreed in 2014 that the consultation and planning of a new town centre for Leatherhead would require £0.511m of investment and that this should be funded from the Council's reserves over three financial years. The costs comprise a mix of payments to Master planning consultants and backfill costs for staff in Property, Planning and Legal to enable a dedicated in-house team to work on the project.

Also, during the year, the Council took the opportunity to acquire assets in Leatherhead 'Claire House & James House'. These properties are situated in a prime location on the banks of the River Mole in Leatherhead, and currently held as Investment awaiting development. This is pending an outcome of the Authority's strategic objectives and plans for transformation of Leatherhead Town Centre. They are therefore held on the Council's Balance Sheet as an Investment Property until a conclusion is reached as to its future redevelopment, in the context of the 'Transform Leatherhead' project. It has been revalued in accordance with Fair Value Accounting under IFRS 13 at its highest and best use. Running costs of this site are also included in the Transform Leatherhead costs for the year.

The segmental note on Page 61 (Note 25.1) of the Accounts shows a net expenditure of £8.627m. The difference between this figure and the budgeted outturn as reported above is due to a range of substantial adjustments which are not reported to management for decision making but required to be included in the year-end Statement of Accounts. These include such items as pension fund transfers, depreciation of assets and internal recharges between revenue and capital.



Performance Monitoring

Many of the variations listed above against the budget requirement had already been identified in the monthly monitoring of performance undertaken by budget managers. The position reported at the end of January was a projected underspend of £114,000.

Effective performance monitoring enables Managers to make informed decisions about the year end outturn position and is based on their continual assessment during the year. The monthly performance figures are reported to the Senior Management Team and the Executive before the end of the relevant month to enable any necessary actions.

Council Funding

The Council is funded through a combination of council tax, government grants, non-domestic rates and investment income. The successful collection of 99% of the net collectable council tax and non domestic rates by the Authority's Revenues Team places it among the top performers in the country. The Council received the anticipated Revenue Support Grant (RSG) and New Homes Bonus, based on the net number of new homes in the District in the preceding year. The recessionary economic climate continued to restrict returns on the Council's standard investments.

The retention of a proportion of non-domestic rates gives the Council an extra incentive to maintain high collection rates and maximise the yield on properties within the district. On the overall collection of around £38m rates and the retention of Mole Valley's "share", outturn is in line with expectations, though the Council has gained some additional retained income through membership of a "pool" with three other Surrey District Councils and the County Council. Pool membership entitles those involved to a lower level of levy payment to the Government on rates collected beyond the Government threshold. The Council has benefitted by around £0.6m as a result of this arrangement in 2015/16.

Levels of Reserves and Balances

The policy of the Council, on the recommendation of the s151 Officer, is to maintain a specified level of general balances, in highly liquid form, to counter emergencies. The stipulated amount is £1.3m.

Revenue balances stood at £4.4m at the beginning of the year and are £5.3m at the end of the year – as the Movement in Reserves statement shows.

Capital Expenditure

The expenditure on capital projects during 2015/16 was £6.69m at year end. Of this, £6.11m was spent on major schemes (over £50,000) and £0.582m on minor works. The bulk of the expenditure, at £3.446m, was on the purchase of Claire House & James House as part of the Transform Leatherhead project. Other major scheme highlights include the refurbishment of the Pippbrook Offices (£1.02m) and the funding of housing adaptations for the disabled (£0.647m).

It is good accounting practice for a contribution to be made from the revenue budget each year towards the routine maintenance and upkeep of capital assets. A budgeted contribution of £0.323m was made this year towards the cost of wear and tear on our capital assets.

Economy, Efficiency & Effectiveness

Our External Auditors, Grant Thornton, undertook the annual review and examination of the Council's accounts for 2014/15 between July to September 2015. Their conclusion, at the end of this exercise, was that the Statement of Accounts represented a true and fair view of the Council's finances. They also issued a Value For Money conclusion that "proper arrangements to secure economy, efficiency and effectiveness" for the Authority were in place.

A programme of audits and reviews was also undertaken by our Internal Auditors, RSM UK, during the year. Their conclusion, in their Annual Report, was that the organisation has an "adequate and effective" framework for risk management and governance.

In addition to these, a review was commissioned in the Autumn of 2015 of the Council's "Corporate Services". This included those services in the Finance & Performance portfolio, namely Finance, ICT, HR, Revenues, Democratic Services, Policy & Performance and Corporate Costs. The review identified £0.3m of savings and confirmed that the current direction be continued – targeting short term efficiencies alongside progress on capital investment to generate income and exploration of shared services with other Authorities.

Pension Fund Update

The triennial Actuarial Valuation of the Surrey Pension Fund took place on 31 March 2013, the next is due in during 2016/17, effective from 1.4.2016. Assumptions have been updated to reflect each of the three years that have passed since the last full valuation. At the end of 2015/16, the assessed net deficit on the Fund (the amount by which liabilities of £90.7m outweigh assets of £62.6m) was £28.1m. The movement since last year was a decrease of £0.4m on assets and a decrease of £7.4m on liabilities. The net remeasurement reported in 'Other Comprehensive Income & Expenditure' was a gain/asset of £8.3m.

Looking Forward

The current economic conditions and the Government's direction in reducing public sector spending were influential factors in the decisions taken by the Council in relation to budget setting in 2016/17 budget. Increased reductions in Revenue Support Grant from the Government continue and are offset by some transitional relief and Retained Business Rate Income, with the level reducing to zero in 2017/18. The constraints on the level of Council Tax increases are likely to continue, with the limit of £5 increase allowed before a referendum is triggered.

The Medium Term Financial Strategy's aims and objectives in the budget for 2016/17 as reported to Full Council in February last year, is annually updated to reflect the Council's forecasts and in its pursuit to ensure policies are driven that will help Mole Valley to generate its own funding. The Government has given direction to encourage 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 as the Council strives to make best use of its assets. A number 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 it retains its financial stability with or without Government grant support. These projects include the transformation of Leatherhead Town Centre (with the support of the Government's 'Coast to Capital Local Economic Partnership'), the refurbishment of Pippbrook HQ and the development of the Meadowbank Football Ground.

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 19

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 20

The Balance Sheet shows the value at 31 March 2016 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 21

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 22

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 81

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
Deputy Chief Executive and Section 151 Officer
19th September 2016

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

http://www.molevalley.gov.uk/index.cfm?articleid=23200
or obtained from:
Nick Gray
Deputy Chief Executive
Mole Valley District Council
Authority Offices, Pippbrook
Dorking, Surrey RH4 1SJ

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

This statement is given in respect of the Statement of Accounts 2015/16, signed and dated by the responsible financial officer on behalf of the Council, approved as at the 30th September 2016. These accounts are unaudited and subject to change in accordance with Regulation 15 (2a) of the Accounts and Audit Regulations 2015.

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 Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts by the Statutory date of 30th September, 2016.

The Chief Finance Officer's Responsibilities

The Chief Finance 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 Deputy Chief Executive (Section 151 Officer), Nick Gray.

In preparing this Statements of Accounts the Deputy Chief Executive has:

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

The Deputy Chief Executive has also:

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

Certification of Section 151 Officer

The Statement of Accounts present a true and fair view of the financial position of the Authority as at 31 March 2016 and its income and expenditure for the year ended on that date.

Nick Gray	**Councillor Paul Kennedy**
Section 151 Officer and Deputy Chief Executive	Audit Committee (Chair)
Dated 19th September 2016	Dated 19th September 2016

GOVERNANCE STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL 2016

Scope of Responsibility

The preparation and publication of an Annual Governance Statement in accordance with *Delivering Good Governance in Local Government* fulfils the statutory requirement in England for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. 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 final 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 2015/16

Signed ____ Date ________________

Chief Financial Officer, – Nick Gray, Strategic Director

ANNUAL GOVERNANCE STATEMENT 2016

The Annual Governance Statement provides assurance to the community, service users, tax payers and other stakeholders, that we have good business practices, high standards of conduct and sound governance arrangements. It provides assurance that processes and controls are in place to manage risks of failure in delivering our planned outcomes.

1. Background

Mole Valley District Council (MVDC) 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. MVDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

MVDC is committed to having a governance structure that is consistent with the core and sub-principles contained in the *Delivering Good Governance in Local Government Framework*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE), which was revised in April 2016.

The purpose of the Annual Governance Statement (AGS) is to report publicly on the extent to which our governance arrangements comply with the governance principles in the Framework. It also meets the requirements of *Regulation 6(1) (a) of the Accounts and Audit Regulations 2015* which requires an authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

2. Governance Structure

MVDC's governance structure comprises the systems and processes, culture and values, by which the authority is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. It enables the authority to monitor progress in achieving its planned outcomes and delivering appropriate services that represent value for money.

The key elements of the systems, processes and associated documents that comprise MVDC's governance structure are summarised below:

- MVDC's vision, values, guiding principles and priority outcomes are contained in the Corporate Strategy 2015-19, our overarching strategic document which is used as a basis for planning
- The Council's Constitution sets out the terms of reference for the authority's committees; decision making; finance, contracts and legal matters; rules of procedure including standing orders; codes and protocols; members allowances scheme; and the management structure of the authority
- There are codes of conduct for Members and Officers, as well as policies dealing with whistleblowing and conflicts of interest
- Anti-fraud and anti-corruption arrangements have been developed in accordance with the *Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)*
- Arrangements are in place to ensure effective risk management, which is linked to the achievement of the corporate priority outcomes, as set out in the Risk Management Policy
- 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. MVDC keeps the appropriateness of the Constitution under review
- MVDC has in place a Responsible Finance Officer under *Section 151 of the Local Government Act 1972*. Our Section 151 Officer, who is also our Deputy Chief Executive, has statutory responsibility for the proper management of MVDC's finances. MVDC's financial management arrangements conform to the governance requirements of the CIPFA Statement on *The Role of the Chief Financial Officer in Local Government (2015)*
- The management of MVDC's finances within departments is devolved to business managers through the Scheme of Delegation to Officers, as set out in the Constitution

- 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. Commentary by the Section 151 Officer is a mandatory element in all committee reports
- MVDC 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 Part 3 of the Constitution
- The Scrutiny Committee reviews decisions made and actions taken by the Executive or any of the Council functions with the exception of regulatory decisions and decisions of the Standards Committee. It reviews, monitors and scrutinises the performance of the Council in relation to its policy objectives, performance targets and action plans
- The role of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is a committee comprising non executive council members, and oversees the internal audit function and considers all relevant reports of the external auditor. It undertakes core functions as identified in *Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)*
- The Standards Committee recommends the adoption of the Members' Code of Conduct and advises MVDC on matters relating to the ethical conduct of MVDC Members
- The Internal Audit function (provided by RSM UK) monitors the quality and effectiveness of the systems of internal control, in line with the International Standards for the Professional Practice of Internal Auditing. The work undertaken by the internal auditors 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 External Audit which reports on MVDC's Governance, performance and accountancy arrangements

3. Review of Effectiveness

MVDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control.

The effectiveness review assesses how well our governance structure is working. We do this by scoring our governance arrangements from non-compliance to full compliance, using a checklist based on the principles of the *Delivering Good Governance Framework*.

We have assessed that the systems and processes that comprise the authority's governance arrangements are sound, and that the majority of elements are fully compliant with the principles of the Framework. Areas where we have assessed our arrangements as having scope for some improvement are identified in the action plan at the end of this document.

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 any other review agencies and inspectorates, where relevant.

We also take into account external factors, which will include developments following the referendum decision for the UK to leave the European Union. There are a number of policy areas in which Brexit may impact on local authorities. The principal sources of change are likely to be legal and financial, such as procurement and borrowing rules.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

We have mechanisms in place to encourage adherence to ethical values and the rule of law. A number of codes and protocols are included in Part 5 of the MVDC Constitution. The Members' Code of Conduct is based on the ethical principles of public life (the Nolan Principles). Newly elected members are required to sign a Declaration of Acceptance of Office which includes an agreement to abide by the code. There is a section on Members and the planning process to help Members maintain high standards of conduct and to ensure that there are no grounds for suggesting that a decision has been biased, partial or not well founded in any way.

The Members' Code of Conduct also includes rules on declaring interests. Following a recommendation arising from an internal audit of corporate governance in March 2016, we are canvassing Councillors annually to remind them to consider and confirm the status of their declarations of interests.

Each of our organisational values has an underpinning statement to explain what it means to the organisation and how this shapes our approach to our residents and customers. During 2016/17 we will be planning how to further embed these values (see action plan at the end of this document).

The Customer Charter, which is being reviewed in 2016/17, sets out what can be expected of MVDC by our customers and vice versa.

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

The Officers' Code of Conduct is complemented by the Respect at Work Policy which lays down standards of behaviour expected of staff. The Protocol on Member/ Officer Relations further enhances and maintains the integrity of officers and members.

Arrangements are in place to ensure that Members and staff are not influenced by prejudice, bias or conflicts of interest. There are sections on gifts and hospitality and declaring interests in both the Members and Officers Codes of Conduct. Members' declarations of interest are posted on the website, and both Members' and Senior Managers' declarations of interest are published in the final accounts.

A revised Anti-Fraud and Anti-Corruption Policy was considered by Audit Committee in November 2015 and at a meeting of staff representatives. It was subsequently discussed at Audit Committee, June 2016 and approved by the Executive in July 2016. The Whistleblowing Policy has also been updated and final sign off is due at the Executive in autumn 2016.

The Contract Standing Orders section of the Constitution sets out general principles applying to all contracts: all contracts must comply with all relevant statutory provisions including the Public Services (Social Value) Act 2012 and equalities legislation; the Council has the right to cancel a contract if a contractor is found to have committed any offence under the Bribery Act; and where appropriate, for contracts involving the supply of services, the contractor is required to comply in its performance with the provisions of the Human Rights Act 1998.

Further work is planned for 2016/17 on guidance for contractors clearly setting out MVDC's expectations, including ethical standards. We are planning to put in place a contract and contractor management toolkit and an officers' guide to procurement rules (see action plan at the end of this document).

Principle B: Ensuring openness and comprehensive stakeholder engagement

Data is published on the website in accordance with statutory requirements relating to Open Data, the Transparency Code, Council Tax Leaflets and Freedom of Information. Our Freedom of Information Publication Scheme was updated in December 2014.

There is a presumption to hold committee meetings in public unless confidential information is being discussed, such as the financial affairs of an individual. Minutes of meetings and decisions taken are published on our website.

Guidance is available on the intranet for officers writing committee reports, which includes a section on providing justification for the option that is being recommended and the reasons for other options being rejected.

The committee report template and the project management handbook both include sections on stakeholder engagement/ communications.

There have been a number of significant consultations recently - the Infrastructure Needs Assessment, Transform Leatherhead, the Deepdene Trail, and playground refurbishments including Meadowbank. These have involved a range of engagement methods comprising focus groups, social media, online surveys, and awareness raising campaigns.

In 2016, we launched a new My Alerts service offering residents the opportunity to receive email alerts for planning applications in their area and a reminder for their waste collection days. We intend to extend this alert to additional services in future.

As part of our Customer Care Programme we will be introducing a 'you said, we did' page on the website. We are also introducing feedback forms for customers calling into our Civic Office reception area at Pippbrook. We also use the Corporate Complaints process to ensure we fully investigate complaints and, where appropriate, we apologise to customers and make changes to procedures or undertake training based on any learning points.

We are mindful of the interests of future generations of tax payers and service users. The Corporate Board considers the forward plan of Youth Voice to ensure that they have a chance to get involved or have their say on issues that are particularly relevant or interesting for young people. MVDC also has an ongoing programme of work placements for young people.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Our Corporate Strategy 2015-19, a four-year strategy containing our vision, values, guiding principles and priorities, is used as a basis for corporate and service planning. Our priorities are expressed as outcomes which relate to sustainable economic, social and environmental benefits: 'Environment: A highly attractive area with housing that meets local need; Prosperity: a vibrant local economy with thriving towns and villages; and Community Wellbeing: Active communities and support for those who need it'. One of our guiding principles is 'Sustainability: Meeting the needs of the present without compromising future generations requires responsible decision making and innovation. Helping communities to be resilient is an important aspect of this principle.'

Projects to deliver on our priorities include stakeholder engagement plans which specify the intended impact on service users and other stakeholders. The organisation's risk registers are linked to the achievement of the corporate priorities – as outlined in our Risk Management Policy.

Regular Business and Budget Reports to the Executive monitor progress on delivering our planned outcomes, and provide the financial context. Corporate Strategy performance measures include a number of service quality targets and service user surveys.

Members are provided with committee reports that give the context and implications of decisions (including risk, communications, and sustainability). The report template and guidance prompts authors to give a full justification for options being recommended.

We undertake Equality Impact Assessments when introducing or reviewing services and policies to find out whether what is proposed to be done affects different groups of people in different ways, and ensures that we uphold equalities legislation.

MVDC undertakes full consultation exercises to help inform decisions that involve balancing conflicting interests between achieving various economic, social and environmental benefits. Recent examples of major consultations undertaken include Transform Leatherhead and the Infrastructure Needs Assessment.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The rationale for a particular option being selected by the Executive is recorded in the minutes of the meeting. To assist with this, authors of committee reports are required to give the options and the justification for the option being recommended. Alternative options are detailed and the reasons for their rejection are set out in the report. In addition, the Project Management Handbook, which was revised in 2015/16, includes guidance on developing a business case which gives the rationale for the project (i.e. benefits versus costs, risks and time).

Committee decisions regarding improving or reducing services take into account all of the information that is drawn together in the committee report in line with the report template and guidance.

Regular Business and Budget Reports give progress updates on an annually agreed set of targets for a basket of performance indicators and key objectives / projects. The Business and Budget Reports highlight areas where corrective action is necessary.

A scene-setting report for business and budget planning 2016/17 in autumn 2015 updated the assumptions underpinning the medium term financial strategy approved in 2013.

The 2016/17 Budget and Council Tax Resolution report identified the key actions and projects that MVDC will deliver in 2016/17 to implement the Corporate Strategy. The report also provided analysis and key assumptions in formulating a budget for 2016/17 and presented the budget proposals. The annual Budget Book sets out business and budget planning for the coming year, including the Corporate Strategy and a full set of Business Plans.

The Contract Standing Orders section of the Constitution sets out general principles applying to all contracts including all contracts having to comply with all relevant statutory provisions including the Public Services (Social Value) Act 2012.

The MVDC Community Asset Transfer Policy aims to balance the needs of local voluntary, community and faith groups with managing the Council's assets in line with our Medium Term Financial Strategy.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Reviews of operations are undertaken from time to time to help maximise the capacity of the organisation; for instance, a Corporate Functions Review took place in 2015/16. In the interests of efficiency and effectiveness we have recently joined a new Surrey Benchmarking Group meaning we will be able to compare our performance with the other Surrey districts and boroughs. During 2016/17 we will be looking at benchmarking best practice across a wider range of organisations.

MVDC recognises the benefits of partnerships and collaborative working where added value can be achieved. Our partnership arrangements include a Telecare service with Reigate and Banstead, Dial a Ride with Tandridge, and Payroll with Epsom and Ewell. We also have a number of posts which operate across two organisations e.g. ICT Manager with Surrey County Council. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. There are rules for establishing joint arrangements with other local authorities and the appointment of Members to joint committees, as well as rules for consortium and joint contracts. The Constitution sets out our approach to Joint Arrangements and a protocol for appointments to outside organisations.

During 2016/17 we will be starting work to develop a long term strategic approach to our workforce planning, in line with our organisational purpose. We will establish the principles and scope for a new MVDC Workforce Plan (see action plan at the end of this document).

The capability of the leadership of the organisation is helped by a shared understanding of roles and objectives being maintained, with the Chief Executive and Leader of the Council having regular briefing meetings. The Chief Executive has an annual appraisal with the Group Leaders. Job descriptions for these roles are set out in the Constitution.

The Constitution sets out a scheme of delegation, standing orders and financial regulations.

A Members' Development Programme is in place and is reviewed on an annual basis. Members are also offered the opportunity to participate in the LGA's Leadership Academy and receive specialist training before sitting on the regulatory committees (Development Control and Licensing).

There is a culture of promoting career development opportunities, secondments and professional training for staff. All employees receive a Performance and Development Review (PDR) when managers assess performance and training and development needs.

The Surrey Learn website provides MVDC employees with access to relevant and up-to-date training courses. Officers can also access the online Learning Portal which consists of a variety of e-learning courses.

All MVDC employees have access to the Employee Assistance Programme (EAP) which is a service that provides confidential assistance with any work, personal, or family issue. The EAP can provide telephone guidance, fact sheets, information packs and short term counselling.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Performance management is an important part of MVDC's corporate planning process. It involves the culture and processes in place to monitor, manage and continuously improve its performance in order to achieve priorities. In order to ensure MVDC deliver its priorities, as set out in the Corporate Strategy, performance is regularly monitored using performance indicators and measuring the progress of key areas of work. Risks to achieving our priorities are assessed.

MVDC reports performance on a regular basis to the Strategic Management Team, Scrutiny Committee and to Executive. This helps assess whether priorities are delivered against the set targets and measures. This ensures MVDC identifies what it is doing well, areas for development and appropriate actions for further improvement.

Performance is monitored using a red, amber and green traffic light system. Indicators which are green are meeting or exceeding the target, those which are amber are slightly off target and those which are red are significantly behind target.
The Outturn report for 2015/16, which sets out our performance over the financial year, can be viewed, along with the latest Annual Report, on our performance page of the MVDC website.

The approach to risk management, including roles and responsibilities, is set out in the Risk Management Policy. The policy is reviewed every four years; it was last revised in March 2015 and is due for a further refresh in March 2019.

MVDC has arrangements in place to ensure the effective management of risk throughout the organisation. Risk registers are in place across the organisation linked to the achievement of corporate priorities. Once risks have been identified, they are assessed based on the likelihood that they will happen and the impact on the service if they do. Risks are prioritised using a scoring system, which measures the impact of the risk if it happens and the likelihood of this happening.

We have an agreed risk assessment matrix against which risks are assessed before controls are put in place (inherent risk) and subsequently once the controls are in place (residual risk). The risk tolerance of the Council is the threshold above which the level of risk is unacceptable and requires further action to reduce the risk. If a change to the agreed tolerance level is proposed, it will be reported to the Executive for approval.

Our strategic risks are currently:

- Failure to deliver financial resilience through the Medium Term Financial Strategy
- Failure to make the most of our assets and create additional income
- Failure to successfully realise the benefits of our civic offices refurbishment project
- Failure to have good health and safety arrangements in place
- Failure to protect our IT systems from being hacked

- Failure to ensure personal data is secure and the right to privacy is protected
- Failure to have business continuity plans in place

The strategic risks are subject to regular review and updated as appropriate.

All projects are required to have their own risk register, as set out in the MVDC Project Management Handbook, a guide to MVDC's project management approach. The handbook is a supportive toolkit containing templates and guidance. All projects should be run according to the principles set out in the handbook which are based on the PRINCE2 project management methodology.

Decision making is based on relevant, clear objective analysis and advice pointing out the challenges and opportunities. Officers submit reports, which include relevant analysis and advice, for approval by SMT prior to committee and publication. Executive Members are provided with regular briefings and have regular meetings with Business Managers to discuss progress in service areas relevant to their portfolio of responsibilities.

The Scrutiny Committee reviews, monitors and scrutinises the performance of the Council in relation to its policy objectives, performance targets, action plans and relationship with external partnership bodies and organisations.

The Financial Regulations (contained in Part 4 of the Constitution) govern the manner in which the Council's financial activity is conducted and its financial interests are safeguarded. These regulations apply to every member, officer and contractor of the Council.

A revised Anti-Fraud and Anti-Corruption Policy was presented to Audit Committee in November 2015 and June 2016. It was approved by the Executive in July 2016.

The internal audit strategy for 2016/17 includes core assurance audits including corporate governance and risk management plus various audits of the financial control framework.

The Data Protection Policy and guidance and procedure notes for staff were updated in 2013; periodical checks are carried out to ensure confidential data is being disposed of correctly. The Data Quality Policy and guidance notes for staff were refreshed in February 2015. A programme of spot checks of performance data is planned for 2016/17.

We have effective arrangements in place for sharing data with other bodies. A Multi-Agency Information Sharing Protocol (MAISP) is in place with Surrey County Council. Another information sharing protocol has been signed by MVDC, SCC and the other districts and boroughs regarding vulnerable individuals, for use by emergency services.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

MVDC complies with the Transparency Code requirements and relevant information is published on a dedicated page on our website. This is in addition to a full library of committee reports, and background papers available on the website. We also have clear and concise online content relating to our services.

We publish the Annual Accounts and corresponding audit reports for the previous three years on the MVDC website. We also produce an Annual Report, a Budget Book, and a Business and Budget Outturn Report after the end of the financial year.

An annual Business and Budget Report timetable provides dates and sign-off deadlines for monthly performance monitoring to ensure that the appropriate approvals are obtained.

We have robust arrangements for assessing the extent to which the principles contained in the Delivering Good Governance in Local Government Framework have been applied. We use a governance checklist for testing compliance and evidence from this is then used for compiling the Annual Governance Statement.

The Internal Auditors' Annual Audit Report for 2015/16 stated that MVDC has an 'adequate and effective framework for risk management and governance'. Some enhancements to the framework of internal control were noted. However, the report stated that 'there are no issues that we consider relevant for inclusion in the Council's Annual Governance Statement.

The External Auditors' Annual Audit Letter for 2014/15, which was presented to Audit Committee in November 2015, gave an unqualified opinion on our financial statements and an unqualified Value for Money conclusion for the year.

4. Progress Report on 2015/16 Action Plan

Progress made on the areas that were identified for specific focus in the previous year's Annual Governance Statement is noted below:

- **Develop a forward plan for community engagement, consultation and communication**
  A Communications Forward Plan has been developed and implemented. It is an evolving document that changes depending on priority messages for our communities.
- **Review and update the Whistleblowing Policy**
  The Whistleblowing Policy has been revised and is due to be considered by the Executive in autumn 2016.
- **Review and update the Anti-Fraud and Anti-Corruption Policy**
  The Anti-Fraud and Anti-Corruption Policy has been revised. It was considered by Audit Committee in June and approved by the Executive in July 2016.
- **Review and update the Procurement Strategy**
  A Procurement Policy and Principles document was considered by Audit Committee in June and approved by the Executive in July 2016.
- **Review and update the Asset Management Strategy and Plan**
  The Asset Management Strategy and Plan has been revised and was formally agreed by the Executive in October 2015.
- **Embed principles for working in partnership**
  This is an on-going piece of work. As MVDC continues to explore and develop opportunities for working in partnership, the principles that were adopted in 2014/15 are a source of reference to ensure any governance arrangements that are put in place are robust.
- **Implement Property Maintenance Internal Audit recommendations**
  Outstanding recommendations are dependent on undertaking condition surveys on all properties in the MVDC property portfolio which is ongoing. This is a significant piece of work which will take until December 2016 to complete.

5. Action Plan 2016/17

Arising from the effectiveness review of MVDC's internal control and corporate governance arrangements, the following areas have been identified for specific focus for 2016/17.

Action	Timescale	Benefits
Devise and put in place a contract and contractor management toolkit *(Financial Services Team)*	Jan 2017	Corporate approach to ensuring that contractors follow MVDC's ethical values, policies and procedures (the toolkit will include sections on health and safety and equalities)
Produce an officers' guide to procurement rules *(Financial Services Team)*	Jan 2017	Raise awareness of procurement rules and better equip those responsible for managing contracts, and enable them to achieve service improvements, value for money and efficiencies where possible
Review strategy and processes for embedding organisational values *(HR and Organisational*	Oct 2016	Ensure that our recruitment, induction, and personal development processes encourage employees to uphold ethical values

Action	Timescale	Benefits
Development Team)		
Establish the principles and scope for a new Workforce Plan for the organisation *(HR and Organisational Development Team)*	Dec 2016	Developing a longer term HR and workforce strategy in alliance with our organisational purpose and business strategy

We propose over the coming year to take steps to address the above matters to further enhance MVDC'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 Vivienne Michael

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.

	2014/15					2015/16	
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross income £'000	Net Expenditure £'000
1,754	(530)	1,224	Central services to the public		2,012	(639)	1,373
11,197	(2,651)	8,546	Cultural and related services		3,597	(3,001)	596
7,337	(2,773)	4,564	Environmental and regulatory services		7,472	(2,432)	5,040
3,108	(1,105)	2,003	Planning Services		2,507	(1,009)	1,498
1,024	(1,881)	(857)	Highways and transport services		1,586	(2,113)	(527)
25,355	(24,111)	1,244	Other housing services		26,512	(24,030)	2,482
2,277	(1,532)	745	Adult social care		2,309	(1,667)	642
2,457	(57)	2,400	Corporate and democratic core		2,215	(21)	2,194
0	(12)	(12)	Non distributed costs		7	0	7
54,509	**(34,652)**	**19,857**	**Cost Of Services**		**48,217**	**(34,912)**	**13,305**
185	(817)	(632)	Other Operating Expenditure	9	193	(1,200)	(1,007)
1,413	(2,275)	(862)	Financing and Investment Income and Expenditure	10	626	(3,374)	(2,748)
0	(6,411)	(6,411)	Council Tax Grant	11	0	(6,587)	(6,587)
13,651	(14,798)	(1,147)	NNDR Income & Expenditure	11	12,840	(15,752)	(2,912)
0	(2,535)	(2,535)	Other Taxation and Non-Specific Grant Income	11	0	(4,494)	(4,494)
69,758	**(61,488)**	**8,270**	**(Surplus) or Deficit on Provision of Services**		**61,876**	**(66,319)**	**(4,443)**
22,470	(23,070)	(600)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	21	2,451	(8,201)	(5,750)
0	(605)	(605)	(Surplus)/deficit on revaluation of Available for Sale Financial Assets	21	0	(341)	(341)
5,609	0	5,609	Remeasurement of the net defined benefit liability/(asset)	35	0	(8,301)	(8,301)
28,079	**(23,675)**	**4,404**	**Other Comprehensive Income and Expenditure**		**2,451**	**(16,843)**	**(14,392)**
97,837	**(85,163)**	**12,674**	**Total Comprehensive Income and Expenditure**		**64,327**	**(83,162)**	**(18,835)**

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'

2014/15 31 March 2015 £'000		Note	2015/16 31 March 2016 £'000
	Non-Current Assets		
86,181	Property, Plant & Equipment	12	92,664
734	Heritage Assets	13	961
22,860	Investment Property (including Assets Held for Sale)	14	27,518
276	Intangible Assets	15	231
5,682	Long Term Investments	16	6,023
854	Long Term Debtors	16	786
116,587	**Long Term Assets**		**128,183**
16,001	Short Term Investments	16	8,500
44	Inventories	-	48
4,116	Short Term Debtors	17	7,950
5,035	Cash and Cash Equivalents	18	6,790
25,196	**Current Assets**		**23,288**
(7,935)	Short Term Creditors	19	(7,147)
(1,850)	Current Provisions	20	(519)
(349)	Grants Receipts in Advance-Revenue	29	(434)
(375)	Grants Receipts in Advance-Capital	29	(375)
(10,509)	**Current Liabilities**		**(8,475)**
(2,697)	Long Term Creditors	16	(2,658)
(41)	Non-current Provisions	20	(30)
(35,116)	Other Long Term Liabilities	35	(28,053)
(37,854)	**Long Term Liabilities**		**(30,741)**
93,420	**Net Assets**		**112,255**
(20,787)	Usable Reserves	FS3	(19,917)
(72,633)	Unusable Reserves	21	(92,338)
(93,420)	**Total Reserves**		**(112,255)**

I certify that the Accounts present a true and fair view of the financial position of the Authority and of its income and expenditure for the year ended 31 March 2016.

Nick Gray, Chief Financial Officer,
Date: 19 September 2016

FS3 - Movement in Reserves Statement 2015/16

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 2014/15	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 2014		(3,424)	(7,315)	(8,709)	(634)	**(20,082)**	(86,012)	**(106,094)**
Movement in reserves during 2014/15								
Surplus or (deficit) on the provision of services		8,270	0	0	0	**8,270**	0	**8,270**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	4,404	**4,404**
Total Comprehensive Income and Expenditure		8,270	0	0	0	**8,270**	4,404	**12,674**
Adjustments between accounting basis & funding basis under regulations	7	(11,387)	932	1,512	(32)	**(8,975)**	8,975	**(0)**
Net Increase/Decrease before Transfers to Earmarked Reserves	8	(3,117)	932	1,512	(32)	**(705)**	13,379	**12,674**
Transfers to/from Earmarked Reserves		2,157	(2,157)	0	0	**0**	0	**0**
Movement during 2014/15		**(960)**	**(1,225)**	**1,512**	**(32)**	**(705)**	**13,379**	**12,674**
Balance at 31 March 2015 carried forward		**(4,384)**	**(8,540)**	**(7,197)**	**(666)**	**(20,787)**	**(72,633)**	**(93,420)**
Movement in Reserves during 2015/16								
Surplus or (deficit) on provision of services		(4,443)	0	0	0	**(4,443)**	0	**(4,443)**
Other Comprehensive Income and Expenditure			0	0	0	**0**	(14,392)	**(14,392)**
Total Comprehensive Income and Expenditure		(4,443)	0	0	0	**(4,443)**	(14,392)	**(18,835)**
Adjustments between accounting basis & Funding basis under regulations	7	2,538	155	3,153	(533)	**5,313**	(5,313)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		(1,905)	155	3,153	(533)	**870**	(19,705)	**(18,835)**
Transfers to/from Earmarked Reserves	8	999	(999)	0	0	**0**	0	**0**
Increase/Decrease in Year 2015/16		(906)	(844)	3,153	(533)	**870**	(19,705)	**(18,835)**
Balance at 31 March 2016 carried forward		**(5,290)**	**(9,384)**	**(4,044)**	**(1,199)**	**(19,917)**	**(92,338)**	**(112,255)**

FS4 - Cash-Flow Statement 2015/16

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.

2014/2015 £'000		Note	2015/2016 £'000
8,270	**Net (Surplus)/Deficit on the Provision of Services**		**(4,443)**
(11,392)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	22	4,137
1,677	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	(642)
(1,445)	**Net cash flows from Operating Activities**	**22**	**(948)**
1,906	**Investing Activities**	23	(887)
(6)	**Financing Activities**	24	80
455	**Net (increase)/decrease in Cash and Cash Equivalents**		**(1,755)**
5,490	Cash and Cash Equivalents at the beginning of the reporting period		5,035
5,035	**Cash and Cash Equivalents at the end of the reporting period**	**18**	**6,790**

Note 1 – Statement of Accounting Policies

1. Introduction and Accounting Concepts

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts and the Accounts and Audit (England) Regulations 2015 require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) and the Service Reporting Code of Practice (SeRCOP) 2015/16, 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. These Accounting Policies have been updated to reflect the adoption of IFRS 13 'Fair value measurement' in 2015/16.

1.1 Accounting Concepts and qualitative characteristics

Section 2 of the Code confirms that it specifies many of the accounting policies and estimation techniques that will be used by local authorities when preparing and presenting their financial statements. These have been selected and drafted in accordance with the requirements of International Financial Reporting Standards (IFRS) and adapted where necessary for local government circumstances.

In presenting information in the financial statements, the Authority holds regard to the:

- objective of financial statements
- underlying assumption
- qualitative characteristics of financial statements
- elements of financial statements
- recognition of the elements of financial statements
- measurement of the elements of financial statements.

If financial information is to be useful, it must contain the following qualitative characteristics. In producing the financial statements, the Authority has given priority to:

- Relevance
- Faithful representation
- Materiality
- To aid key decisions made by users, the information must be relevant and in setting the accounting policies, these need only be included if relevant and in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors. If information is not material in presenting a 'true and fair view' of the financial position of the Authority, then certain transactions or disclosures may be omitted from the financial statements. The Authority ensure that the Financial Information contained with the Statements are:

- Comparable – they are comparable to similar financial information provided by other Local Authorities
- Understandable – the Accounts should be easy to understand by the reader with technical terms supported by the Glossary (these are outlined on Pages 89 of the Statements)
- Verifiable – Information should faithfully represent the quantified informative assumptions that it purports to
- Completeness/timely – Information should have a degree of accuracy, completeness and adhere to statutory timelines within the Accounts and Audit Regulations (2015).

1.2 Going Concern concept

The Local Authority's financial statements shall be prepared on a going concern basis; that is, the accounts are prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

2. Accruals of Income and Expenditure/Revenue Recognition

The Authority adopts Accruals Accounting in accordance with the Code. Therefore, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

2.1 Revenue Recognition

Revenue will be accounted for and recognised on the basis of its substance and not solely its legal form. The Code requires that revenue is measured at the fair value of the consideration received or receivable.

- Revenue from the sale of goods is recognised when the council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from Council Tax and Business Rates is measured at the full amount receivable (net of impairment losses) as they are non-contractual, non-exchange transactions. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the council and the amount of revenue can be measured reliably.
- Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as Inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate, in accordance with IFRS 13 as per policy 8.1 at Level 1 quoted market prices for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Financial Assets and Liabilities, where IFRS 13 permits, will be measured in accordance with the standard and are outlined in policy 9.
- 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 income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments 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.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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.

5 IFRS 13 (Fair Value Measurement)

For 2015/16, the Authority is required to adopt IFRS 13 Fair Value in recognising assets that require Fair Value measurement. The individual Accounting Policies have been updated to reflect the adopted standard during this financial year for Assets and Liabilities where the standard permits. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 uses valuation techniques based on a hierarchy which gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

6 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.

7. Employee Benefits

7.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual and 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 entitlements are charged to revenue in the financial year in which the holiday absence occurs.

7.2 Termination Benefits

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 in exchange for those benefits 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 at the earlier of when the Authority is unable to withdraw the offer of those benefits or when the Authority recognises restructuring costs.

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.

7.3 Post-employment Benefits

The Authority 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 2013 (retrospective 31st March 2013).

The Fund is accounted for as a defined benefit scheme:

- The liabilities of the Fund which are attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the cost of future payments made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected future earnings for current employees)
- Liabilities are discounted to give their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the Pension Fund that are attributable to the Authority 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 the components, Service Cost comprising:

- 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined liability, ie net interest expense for the authority – the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – calculated by applying a discount rate used to measure the defined benefit obligation to the net defined liability at the beginning of the period taking into account any changes in the net defined liability as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in the net interest on the net defined liability charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 as Other Comprehensive Income and Expenditure.
- 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.

7.4 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.

8 Events After the Reporting Period

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

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

- those that are indicative of conditions that arose after the reporting period – the Statements are 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.

9 Financial Instruments – Amended as per IFRS 13

9.1 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.

9.2 Financial Assets – Change in Accounting Policy

Financial assets will be measured in accordance with IFRS 13, where the standard permits. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 or do not have fixed or determinable payments. (This is explained below in Note 16)

9.2.1 Loans and Receivables – Change in Accounting Policy

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, 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.

10 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling 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.

11 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 Authority 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.

12. Heritage Assets

Tangible Heritage Assets

Financial Reporting Standard 102 (FRS 102) 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 2015/16 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.

13. 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.

14. 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.

15. 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.

16. Investment Property – Adoption of Fair Value in accordance with IFRS 13 – change in policy

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. A Fair Value hierarchy within the Statement of Accounts at Note 14 will demonstrate the Investment Property's highest and best use category. (Note 14 is on Page 49)

17. 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. IFRS 13 'Fair Value Measurement' is only applicable where permitted. Finance Leases have been measured using IAS 17. (Leases)

17.1 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).

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).

17.2 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. A gain, 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.

17.3 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.

17.4 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.

18. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the 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.

19. Property, Plant and Equipment – Change in accounting policy

In accordance with the 2015/16 Code's adoption of IFRS 13 (Fair value measurement) the Authority will apply the concept of current value measurement for property, plant and equipment. Fair Value for Property Plant and Equipment will be 'Existing use Value', with the exception of Surplus Assets will now be measured at fair value following the adoption of the standard and stated at their IFRS 13 Category. Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment for accounting purposes, the Council has a de minimus threshold of £10,000.

Recognition

Expenditure on the acquisition, creation or subsequent expenditure 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
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective

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.

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

Where impairment losses are identified, they are accounted for by:

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

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the 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.

21. 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.

- financed leased assets - vehicles, plant, furniture and equipment or Buildings - the lower of the estimated useful life or the lease term

- 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. 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.

23. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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.

24. 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.

25. 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.

26. 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. 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.

27. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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.

28. 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.

MEMORANDUM NOTES ARISING FROM STATUTORY OBLIGATIONS – ACCOUNTING PRINCIPLES:

29. 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. As a result of the Local Government Finance Act 2012, and the introduction of the Business Rate Retention Scheme, the Authority will maintain separate surpluses and deficits for Council Tax and Business Rates.

30. Tax Income (Council Tax Income) – Recognition and Measurement

Council Tax income is recognised in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. Council Tax is, in substance, an Agency arrangement, therefore cash collected from Council Tax Debtors belongs to Mole Valley as the billing Authority and 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.

The amount by which Council Tax income is credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation will be posted to the Collection Fund Account via the Movement in Reserves Statement. Revenue relating to Council tax will be measured at the full amount receivable.

31. Accounting for National Non Domestic Rates (NNDR) and Business Rate Retention schemes – Recognition and Measurement

Billing authorities collect NNDR under what is in substance an Agency Arrangement with the Government and major preceptors.

- NNDR income will be allocated between the billing Authority 'Mole Valley', major preceptors 'Surrey County Council' and the government 'Department for Communities and Local Government' (DCLG) applying the Agency/Principal treatments as necessary.
- NNDR income shall be recognised in its Comprehensive Income and Expenditure Statement as accrued income.
- A debtor/creditor position will be shared between the Authority and its major preceptors for cash paid/cash collected.
- Separate surpluses/deficits will be calculated in relation to Council tax and NNDR on the Authority's Collection Fund Account.
- A pooling levy will be calculated between the preceptor Surrey County Council and the net benefits from the pool will be shared at 50% between the Billing Authority and the County Council
- Bad debt write-offs or movements in the provision will be share proportionately between the billing authority, major preceptors and Central Government (Mole Valley District Council, Surrey County Council and the Department for Communities and Local Government).
- For NNDR, tariffs and top-ups, safety net and levy payments will be made to/from the General Fund. These transactions will be recognised in the Comprehensive Income and Expenditure Statement (CIES) on an accruals basis. The cost of collection allowance is income of the authority and shall be included in this statement.
- The Cashflow Statement for the Authority will include in 'Operating activities' the share of NNDR net cash collection from Debtors and amounts paid shall exclude the amounts paid over to the DCLG and Surrey County Council (SCC). Differences between cash collected/paid to/from the DCLG and SCC from the previous years surplus or deficits shall be included within financing activities in the Cash Flow Statement.
- The Movement in Reserves Statement will include a reconciling transaction for the timing difference between the prior and current year, with the Collection Fund Adjustment Account, for the difference between the amounts credited to the CIES under statutory provisions in the proportionate shares.

Note 2 – Accounting Standards issued but not adopted

In accordance with the Code, there is a requirement for the Authority to disclose a change in Accounting Policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The code specifies in accordance with paragraph 3.3.4.3 that the Authority should disclose information relating to an impact resulting from those changes. The Authority does not anticipate that the following amendments to Accounting Standards issued but not adopted in 2016/17 will impact on the Authority's policies but merely presentational changes to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement with the introduction of the new Expenditure and Funding Analysis. The standards introduced in the 2016/17 Code but not adopted are as follows:

- **Amendments to IAS 19** *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- **Annual Improvements to IFRSs 2010 – 2012 Cycle** (see Appendix A of the Invitation to Comment (ITC) on the 2016/17 Code for further details – see link below at the end of these bullets)

- **Amendment to IFRS 11 *Joint Arrangements*** (Accounting for Acquisitions of Interests in Joint Operations) – This standard is not currently applicable to the Authority.
- **Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 Intangible Assets** (Clarification of Acceptable Methods of Depreciation and Amortisation)
- **Annual Improvements to IFRSs 2012 – 2014 Cycle** (see Appendix B of the ITC on the 2016/17 Code for further details – see link below at the end of these bullets)
- **Amendment to IAS 1 Presentation of Financial Statements** (Disclosure Initiative)
- Changes to the format of the **Comprehensive Income and Expenditure Statement**, **Movement in Reserves Statement** with the introduction of the new Expenditure and Funding Analysis
- Changes to the **Pension Fund Account** and the Net Assets Statement

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
Accounting Policy numbers 4 refers in the following context:

Policy 4 – Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

The Balance as at the 31st March, 2016 contains assets and liabilities up and to that date. As at the 8th April 2016, the Authority acquired a new Finance Leased Property at the Swan Centre in Leatherhead. The Finance Leased Asset will not be shown within the Balance Sheet until 2016/17. This change provides more relevant and reliable information about the events and conditions on the Authority's financial position. This adds value amounting to £7.95m to our Financed Leasehold investments and retrofits the Council's strategic priorities in responding to residents concerns in improving the attractiveness of Leatherhead via the 'Transform Leatherhead' project. (See Note 6). Policy 17 also refers in terms of accounting for Leases.

Policy 16 and 19 – Property, Plant & Equipment (PPE) and Investment Properties

There are a significant amount of upward and downward revaluations mainly within the componentised properties as follows:

- Leatherhead Leisure Centre
- Dorking Sports Centre
- Dorking Halls

Please see Note 4 below.

Note 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 2016 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. All of the properties were revalued during 2015/16, there have been significant upward revaluations on both Property, plant & Equipment and Investment Properties.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Investment Properties	There were uncertainties surrounding the valuations of the newly acquired Claire House and James House, which was a late submission due to the nature of its current use. It will be held as an Investment Property awaiting development.	An effect of £0.918m was applied in the Long Term Assets in the Balance Sheet as it was revalued downwards initially and then upwards following a decision to transfer it from PPE to Investment Property.
Valuation of componentised assets/Property Plant & Equipment (PPE)	The 3 assets valued for componentisation are shown in the above Note 3 due to uncertainty made about certain assumptions when valuing separate parts of Assets.	The main increase in valuations amounted to approximately £5.92m relating to the two Sports Centres and Dorking Halls. Different Valuers make different assumptions. Valuations were based on assumptions by our current Valuers, Wilks Head and Eve. The last valuations for the 3 componentised assets, was assessed by Hampshire County Council in 2013/14.

Note 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. The only items that fall within this category are Housing Benefit Allowances and Non-HRA Rent rebates totalling approximately £21.8m supported by approximately 98.9% of Government grants.

Note 6 – Events after the Balance Sheet Date

After preparing the Statement of Accounts for 2015/16 and after the Balance Sheet date of the 31st March 2016, at transaction took place to acquire an Asset which was for the purchase of the remaining Finance Leases at the Swan Centre for a purchase price of £7.95m including taxes and fees. This retrofits our corporate priorities through the Transform Leatherhead Project in directly responding to the needs of residents that the town lacked suitable retail units and required investment in both the shopping centre and the Swan Centre Car Park. The transaction took place on the 8th April 2016. Mole Valley already owns the freehold interest and has now purchased the remaining Leasehold Interest which was previously a headlease/sublease held by Northern Ireland Local Government Officer's Superannuation Committee (NILGOSC).

Note 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 be paid 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.

Note 7: Adjustments between Accounting and Funding Basis Under Regulation 2015/16

	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	2,969				(2,969)
Revaluation losses on Property Plant and equipment	(1,463)				1,463
Movements in the Fair Value of Investment Properties	(1,268)				1,268
Amortisation of Intangible assets	62				(62)
Revenue expenditure funded from capital under statute	821				(821)
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					0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					0
Statutory Provision for financing of Capital investment (MRP)	(164)				164
Capital Grant and contributions unapplied Account:					0
Application of Capital Grants & Contributions to capital financing transferred to the CAA			(2,183)	(155)	2,338
Capital Grants and Contributions unapplied credited to the CIES	(2,716)		2,716		0
Adjustments involving the Capital Receipts Reserve:					0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,200)	1,133			67
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,286)			4,286
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		0			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	50				(50)
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which Finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements					0
Adjustments involving the Pensions Reserve:					0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	3,099				(3,099)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,861)				1,861
Adjustments involving the Collection Fund Adjustment Account:					0
Amount by which Council Tax credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with Statutory requirements	172				(172)
Amount by which NNDR credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with Statutory requirements	(1,042)				1,042
Adjustment involving the Accumulating Compensated Absences Adjustment Account					0
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	5				(5)
Total 2015/16	**(2,538)**	**(3,153)**	**533**	**(155)**	**5,313**

Prior Year Comparator

Note 7: Adjustments between Accounting and Funding Basis	Usable Reserves				
2014/15 Comparative	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	4,285				(4,285)
Revaluation losses on Property Plant and equipment	5,588				(5,588)
Movements in the Fair Value of Investment Properties	(352)				352
Amortisation of Intangible assets	52				(52)
Revenue expenditure funded from capital under statute	1,545				(1,545)
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	131				(131)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					0
Statutory Provision for financing of Capital investment (MRP)	(295)				295
Capital Grant and contributions unapplied Account:					0
Application of Capital Grants & Contributions to capital financing transferred to the CAA			(370)	(932)	1,302
Capital Grants and Contributions unapplied credited to the CIES	(402)		402		0
Transfer in respect of Community Infrastructure levy receipts					0
Adjustments primarily involving the Capital Receipts Reserve:					0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(948)	948			0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(2,461)			2,461
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	2	(2)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	48	3			(51)
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which Finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements					0
Adjustments involving the Pensions Reserve:					0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	2,885				(2,885)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,792)				1,792
Adjustments involving the Collection Fund Adjustment Account:					0
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	(87)				87
Amount by which NNDR credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with Statutory requirements	712				(712)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					0
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	15				(15)
Total Adjustments 2014/15	**11,387**	**(1,512)**	**32**	**(932)**	**(8,975)**

Note 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 2015/16.

	Balance at 31 March 2014 £'000	Transfers In 2014/2015 £'000	Transfers Out 2014/2015 £'000	Balance at 31 March 2015 £'000	Transfers In 2015/2016 £'000	Transfers Out 2015/2016 £'000	Balance at 31 March 2016 £'000
Benefits Administration	0	145	0	145	0	0	145
Homelessness Initiatives	112	0	0	112	0	0	112
Housing Act Advances	30	1	0	31	1	0	32
Insurance Fund	323	0	0	323	0	0	323
Minor Works Fund	4,824	321	0	5,145	491	0	5,636
New Homes Bonus	0	102	0	102	85	0	187
Pension Shortfall	189	116	0	305	99	0	404
Pippbrook House Dilapidations	325	0	0	325	0	0	325
Planning Tariff	1,074	1,472	(932)	1,614	1,496	(1,090)	2,020
Property Initiatives	200	0	0	200	0	0	200
Subsidence	238	0	0	238	0	(238)	0
Total	**7,315**	**2,157**	**(932)**	**8,540**	**2,172**	**(1,328)**	**9,384**

Note 9. Other Operating Expenditure

Other operating expenditure reported includes all levies payable (none for 2015/16), 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.

	2014/15 £'000	2015/16 £'000
Parish council precepts	183	193
Payments to the Government Housing Capital Receipts Pool	2	0
(Gains)/losses on the disposal of non current assets	(403)	(842)
Other (VAT Shelter)	(414)	(358)
Total	**(632)**	**(1,007)**

Note 10. Financing and Investment Income and Expenditure

	2014/15 £'000	2015/16 £'000
Interest payable and similar charges	153	128
Net interest on the net defined liability (asset)	1,218	1,126
Interest receivable and similar income	(541)	(513)
Other Movement in fair value of property credited to the CIES	0	(1,026)
Income and expenditure in relation to investment properties and changes in their fair value	(1,692)	(2,463)
Total	**(862)**	**(2,748)**

Note 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 including those activities within Business Rate Retention.

2014/15 £'000		2015/16 £'000
(6,411)	Council tax income	(6,587)
(6,411)	**Subtotal Council Tax income**	**(6,587)**
(1,147)	Business Rate Retention scheme	(2,912)
(1,297)	Revenue Support Grant	(903)
(1,114)	Non-ring fenced government grants	(1,224)
(124)	Capital grants and contributions	(2,367)
(10,093)	**Total Taxation and Non Specific Grant Income**	**(13,993)**

2014/15 £'000	Business Rate Retention Scheme - NNDR income and Expenditure comprises:-	2015/16 £'000
(14,227)	NNDR 1 figure MV share income	(15,149)
13,071	less tariff	13,320
0	less levy	635
(571)	Plus due to Authority Section 31 grant	(22)
580	Section 31 grant paid on account	(581)
	Mole Valley Share of Collection Fund deficit as per Note 39	(1,115)
(1,147)		**(2,912)**

2014/15 £'000	Business Rate Retention 2015/16 - Safety Net and Levy Calculation	2015/16 £'000
(34,116)	Total Billing NNDR	(40,662)
(1,227)	Half of Small Business Rate Relief	(960)
(35,343)	**Subtotal**	**(41,622)**
(14,137)	Authority Share at 40%	(16,867)
13,071	Less Tariff paid to Central Government	13,320
(1,066)	Total Retained Income	**(3,547)**
(81)	Less Levy due to Central Government	635
(1,147)		**(2,912)**

2014/15 £'000	Business Rate Retention Scheme 2015/16 - Calculation of Levy	2015/16 £'000
1,066	Retained Income	3,547
(1,146)	Less Funding Baseline as per Statute	(1,167)
0	Equal Growth Amount	2,380
0.50	Levy rate Pooling	0.27

Note 12.1 - Property Plant & Equipment (PPE) Movements on Balances

Movements in 2015/16	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 2015	**109,638**	**11,909**	**322**	**3,468**	**285**	**0**	**125,622**
Additions	1,471	364	12	236	34	0	**2,117**
Donations	0	0	0	0	0	0	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,750	0	0	0	0	0	**5,750**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	437	0	0	0	1,026	0	**1,463**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	0	0	0	0	0	**0**
Assets reclassified	1,152	151	95	4	(1,345)	0	**57**
Other movements in cost or valuation	0	0	0	0	0	0	**0**
At 31 March 2016	**118,448**	**12,424**	**429**	**3,708**	**0**	**0**	**135,009**
Accumulated Depreciation and Impairment							
At 1 April 2015	**28,150**	**10,631**	**189**	**471**	**0**	**0**	**39,441**
Depreciation charge	2,461	432	10	0	0	0	**2,903**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	0	0	0	0	0	**0**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**
At 31 March 2016	**30,611**	**11,063**	**199**	**471**	**0**	**0**	**42,344**
Net Book Value							
At 31 March 2016 Net Book Value	**87,837**	**1,361**	**230**	**3,237**	**0**	**0**	**92,665**
At 31 March 2015 Net Book Value	**81,488**	**1,278**	**133**	**2,997**	**285**	**0**	**86,181**

Prior Year Comparators 2014/15	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 2014	**110,599**	**11,723**	**299**	**3,277**	**126**	**0**	**126,024**
Additions	1,314	180	23	137	159	0	**1,813**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	600	0	0	0	0	0	**600**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,588)	0	0	0	0	0	**(5,588)**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	6	0	0	0	0	**6**
Assets reclassified	0	0	0	0	0	0	**0**
Other movements in cost or valuation	2,713	0	0	54	0	0	**2,767**
At 31 March 2015 Totals	**109,638**	**11,909**	**322**	**3,468**	**285**	**0**	**125,622**
Accumulated Depreciation and Impairment							
At 1 April 2014	**24,793**	**9,780**	**180**	**471**	**0**	**0**	**35,224**
Depreciation charge	3,357	851	9	0	0	0	**4,217**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	0	0	0	0	0	**0**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**
At 31 March 2015 Totals	**28,150**	**10,631**	**189**	**471**	**0**	**0**	**39,441**
At 31 March 2015 Net Book Value	**81,488**	**1,278**	**133**	**2,997**	**285**	**0**	**86,181**
At 31 March 2014 Net Book Value	**85,806**	**1,943**	**119**	**2,806**	**126**	**0**	**90,800**

Note 12.1: PPE Movements on Balances (continued)

The Analysis in Note 12.1 does not comply in full with section 4.1.2.33 of the Code of Practice on Local Authority Accounting which stipulates that accumulated depreciation be eliminated at the date of asset revaluation.
Although the Authority has made some progress towards full compliance with the Code, it is not ready yet to implement the required adjustment and Note 12.1 (above) does not reflect the correct treatment of depreciation calculations and the Authority will continue to progress this to ensure full compliance in the 2016/17 Accounts.
The Authority's treatment of depreciation does not affect the net book value totals at the foot of Note 12, nor does it have any wider impact on the primary statements or other notes to the Statement of Accounts. When adjusted, the elimination of accumulated depreciation in Note 12.1 will be balanced by an equivalent reduction in the gross asset valuation.

Note 12.2: PPE Depreciation, Capital Commitments, Valuation Other Land and Buildings

Movements on Balances in 2015/16	Other Land & Buildings £,000	Total £,000
Carried at Historical Cost & measured in accordance with IAS 17	1,347	1,347
Valued at Fair value as at		
31 March 2016	86,490	86,490
31 March 2015	0	0
31 March 2014	0	0
31 March 2013	0	0
31 March 2012	0	0
Total Cost or Valuation	**87,837**	**87,837**

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment (PPE) required to be measured at fair value is revalued at least every five years. All valuations were carried out by an external valuer. 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.

We are continually working in conjunction with our Valuers Wilks, Head and Eve to co-ordinate a planned programme of valuations, to ensure that the carrying value of the Authority's Assets does not differ materially from Fair Value. This year revaluations have been carried out on all Property and any assets that require a Fair Value (FV) Hierarchy such as Surplus or Investment Properties have been analysed by FV hierarchy in accordance with IFRS 13 (see Note 14.2) . In respect of Operational, non-specialised properties including PPE assets are determined by using Existing Use Value (EUV) as a proxy for fair value, i.e. the price paid for the asset in its existing use. The valuer has met this requirement on the basis of EUV in accordance with the Royal Institute of Chartered Surveyors (RICS)

The following useful lives and depreciation rates have been used in the calculation of depreciation:	Years
Other Land & Buildings	30 to 50
Vehicles, Plant, Furniture & Equipment	10% to 35% of Carrying Value
Infrastructure	25

Note 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 2015	**91**	**144**	**480**	**715**
Additions	0	88	0	**88**
Depreciation	0	0	(69)	**(69)**
31 March 2015	**91**	**232**	**411**	**734**
Cost or Valuation				
1 April 2016	**91**	**232**	**411**	**734**
Additions	0	291	1	**292**
Depreciation	(2)	0	(63)	**(65)**
31 March 2016	**89**	**523**	**349**	**961**

Art Collection and 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.

Subsequent costs on Heritage Assets in 2015/16 included:	£'000
Mansion Gardens Riverbank	49
Dorking Caves and Cemetery Lodge	9

Note 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

Note 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

	2014/15 £'000	2015/16 £'000
Rental income from investment property	1,784	1,867
Direct operating expenses arising from investment property	(444)	(672)
Net gain/(loss) on financing and investment in CIES	**1,340**	**1,195**

Note 14.1: Investment Properties CIES continued

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.

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

	2014/15 £'000	2015/16 £'000
Balance at start of the year	25,024	22,860
Additions		
- Purchases		3,447
- Subsequent expenditure	251	0
Disposals		
- Net gains / losses from the fair value adjustments	352	1,268
Transfers		
- to / from Property, Plant and Equipment	(2,767)	(57)
Balance at end of the year	**22,860**	**27,518**

Note 14.2: Fair Value Hierarchy of Investment Properties

IFRS Hierarchy Level	Fair Value £'000	Land £'000	Buildings £'000
1 - quoted prices in active markets for identical assets	0	0	0
2 - inputs other than quoted market prices included within Level 1 that are observable for the asset	27,518	12,316	15,202
3 - unobservable inputs for the asset	0	0	0
Balance at end of the year	**27,518**	**12,316**	**15,202**

Note 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 generated 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 £0.062m was charged to revenue in 2015/16. £0.057m was charged to Central Services to the Public. £0.004m was charged to Planning Services and the remaining £0.001m 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:

	2014/15		2015/16	
	Other Assets £'000	Total £'000	Other Assets £'000	Total £'000
Balance at start of year:				
• Gross carrying amounts	1,216	1,216	1,283	1,283
• Accumulated amortisation	(955)	(955)	(1,007)	(1,007)
Net carrying amount at start of year	**261**	**261**	**276**	**276**
Additions:				
• Internal development	0	0	0	0
• Purchases	67	67	17	17
Amortisation for the period	(52)	(52)	(62)	(62)
Other changes				
Net carrying amount at end of year	276	276	231	231
Comprising:				
• Gross carrying amounts	1,283	1,283	1,300	1,300
• Accumulated amortisation	(1,007)	(1,007)	(1,069)	(1,069)
	276	**276**	**231**	**231**

Note 16.1 - Categories of Financial Instruments

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

	Note	Long-term 31 March 2015 £'000	Long-term 31 March 2016 £'000	Current 31 March 2015 £'000 Restated	Current 31 March 2016 £'000
Investments					
Loans and receivables	1	0	0	21,036	15,290
Available-for-Sale Financial Assets	2	5,682	6,023	0	0
Total investments		**5,682**	**6,023**	**21,036**	**15,290**
Debtors					
Loans and receivables	4	854	786	3,321	4,785
Total Debtors		**854**	**786**	**3,321**	**4,785**
Borrowings		0	0	0	0
Total borrowings		**0**	**0**	**0**	**0**
Other Long-term Liabilities					
PFI and Finance Lease Liabilities	4	(2,697)	(2,658)	(289)	(164)
Total Other Long-Term Liabilities		**(2,697)**	**(2,658)**	**(289)**	**(164)**
Creditors					
Financial liabilities at amortised cost		0	0	(2,837)	(2,396)
Total Creditors		**0**	**0**	**(2,837)**	**(2,396)**
Soft Loans	3	(24)	(34)	0	0
Total Soft Loans		**(24)**	**(34)**	**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. The figures shown here are the balances on fixed term deposits and cash and cash equivalents as at the year end.

Note 2 - Available for Sale Financial assets are carried at fair value on the Balance Sheet in accordance with the CIPFA Code and IAS 39. Dividends are recognised in Financing and Investment Income & Expenditure as incurred. The Authority will accrue the dividends for the quarter ending 31 March that will be paid in April each year. An Available for Sale Reserve shows the gains or losses for the year in respect of the number of units held multiplied by its published 'bid' selling price.

Note 3 - 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.

Note 4 - Within the Total Debtors and Creditors lines, it has been necessary to restate the 31 March 2015 balances for the prior year's accounts as items have been identified as being outside of the definition for inclusion within Financial Assets and Liabilities at amortised cost in accordance with IAS 32 'Financial Instruments: Presentation'.

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

	2014/15 Financial Assets			2015/16 Financial Assets		
	Loans and receivables £'000	Available for Sale Assets £'000	Total £'000	Loans and receivables £'000	Available for Sale Assets £'000	Total £'000
Interest income	229	312	541	185	328	513
Total income in Surplus or Deficit on the Provision of Services	**229**	**312**	**541**	**185**	**328**	**513**
Net gain/(loss) for the year	**229**	**312**	**541**	**185**	**328**	**513**

Note 16.3: Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, available for sale assets 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 and receivables the prevailing benchmark market rates have been used to provide the fair value.
- For available for sale assets the 'bid' price (the price that a dealer would be willing to pay for an instrument has been used.
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount. The fair values calculated are as follows:
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

Liabilities	31st March 2015 Carrying amount £'000	31st March 2015 Fair Value £'000	31st March 2016 Carrying amount £'000	31st March 2016 Fair Value £'000
Financial liabilities	0	0	0	0
Current creditors	2,837	2,837	2,396	2,396
Long-term creditors	2,697	2,697	2,658	2,658

Assets	31st March 2015 Carrying amount £'000	31st March 2015 Fair Value £'000	31st March 2016 Carrying amount £'000	31st March 2016 Fair Value £'000
Loans and receivables	21,036	21,036	15,290	15,290
Available for sale assets	5,682	5,682	6,023	6,023
Current Debtors	3,321	3,321	4,785	4,785
Long-term Debtors	854	854	787	787

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.
Available for sale assets have been valued at fair value through profit or loss and are carried in the Balance Sheet at their fair value. These fair values are based on public price ('bid' price) quotations where there is an active market for the instrument. Exceptions to this treatment are as follows:
Where impairment losses have been incurred or when the asset is derecognised.

Note 17 : Debtors

	31 March 2015 £'000	31 March 2016 £'000
Short Term Debtors		
Central Government bodies	935	2,541
Other Local Authorities	445	419
NHS Bodies	14	0
Public Corporations and Trading Funds	3,188	5,424
Other entities and individuals	(466)	(434)
Total Short Term Debtors	**4,116**	**7,950**

Note 18: Cash and Cash Equivalents

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

	31 March 2015 £'000	31 March 2016 £'000
Cash held by the Authority	4	5
Bank current accounts	86	57
Short-term deposits with building societies	4,945	6,728
Total Cash and Cash Equivalents	**5,035**	**6,790**

Note 19: Creditors

	31 March 2015 £'000	31 March 2016 £'000
Short Term Creditors		
Central Government Bodies	2,010	2,783
Other Local Authorities	2,903	1,971
Other Entities and Individuals	3,022	2,393
Total Short Term Creditors	**7,935**	**7,147**

Note 20: Provisions

Non-current Provisions	Outstanding Legal Cases £'000	Personal Search Refund Claims	Profit Share Contract	HM Court Fees	NNDR Appeals	Total £'000
Balance at 1 April 2015	41	0	0	0	0	**41**
Additional provisions made in 2015/16	0	0	0	0	0	**0**
Amounts used in 2015/16	(11)	0	0	0	0	**(11)**
Balance at 31 March 2016	**30**	**0**	**0**	**0**	**0**	**30**
Unused amounts reversed in 2015/16	0	0	0	0	0	**0**
Closing Balance at 31 March 2016	**30**	**0**	**0**	**0**	**0**	**30**

Current Provisions	Outstanding Legal Cases £'000	Personal Search Refund Claims	Profit Share Contract	HM Court Fees	NNDR Appeals	Total £'000
Balance at 1 April 2015	8	75	39	0	1,728	**1,850**
Additional provisions made in 2015/16	0	21	0	14	0	**35**
Amounts used in 2015/16	0	(68)	(39)	0	(104)	**(211)**
Subtotal at 31 March 2016	**8**	**28**	**0**	**14**	**1,624**	**1,674**
Unused amounts reversed in 2015/16	(8)	(7)	0	0	(1,140)	**(1,155)**
Closing Balance at 31 March 2016	**0**	**21**	**0**	**14**	**484**	**519**

1. A long-term provision of £0.041m was made in 2014/15 relating to Mutual Municipal Insurance following a November 2014 report that recommended the total levy could potentially be as high as 50% , with 15% having already been paid in 2013/14 over to Ernst and Young (the scheme Administrator) and a further £0.011m (10%) being paid in 2015/16. The current provision of £0.030m therefore represents a further 25% of the net liability.

2. Personal Search claims of £0.068m have been settled in 2015/16. Further associated costs of £0.021m are expected to be settled in 2016/17.

3. In 2015/16 a 5 year reconciliation exercise for a head rent profit share contract was completed. The results did not support the initial claim and after reconciliation of the car park profit share contract, this resulted in the remaining provision of £0.039m being reversed.

4. The police investigation into possible fraudulent activity in 2013/14 resulted in a court hearing in 2015/16. The accused was found guilty and therefore the provision of £0.008m was reversed.

5. The NNDR Appeals Provision was reduced by £1.140m with £0.104m charged to the provision in 2015/16. The revised provision for 2015/16 was £0.484m. This was due to a number of speculative appeals in 2014/15.

6. The provision of £0.013m in 2015/16 relates to changes to HM Courts administrative procedures. There have been undercharges to such fees since July 2012.

Note 21: Unusable Reserves

2014/15 £'000		Note	2015/16 £'000
43,266	Revaluation Reserve	21.1	49,017
682	Available for Sale Financial Instruments reserve	21.2	1,023
63,888	Capital Adjustment Account	21.3	69,623
812	Deferred Capital Receipts Reserve	21.4	762
(35,116)	Pensions Reserve	21.5	(28,053)
(736)	Collection Fund Adjustment Account	21.6	134
(163)	Accumulating Compensated Absences Adjustment Account	21.7	(168)
72,633	**Balance as at 31 March**		**92,338**

Note 21.1: Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2014/15 £'000		2015/16 £'000	2015/16 £'000
42,666	**Balance at 1 April**		**43,266**
23,070	Upward revaluation of assets	8,202	
-22,470	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,451)	
600	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**5,751**
0	Difference between fair value depreciation and historical cost depreciation	0	
0	Accumulated gains on assets sold or scrapped	0	
0	**Amount written off to the Capital Adjustment Account**		**0**
43,266	**Balance at 31 March**		**49,017**

Note 21.2: Available for Sale Financial Instruments Reserve

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

- revalued downwards or impaired and the gains are lost

2014/15 £'000		2015/16 £'000	2015/16 £'000
77	**Balance at 1 April 2015**		**682**
605	Upward revaluation of investments	341	
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	**341**
682	**Totals**		**1,023**
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0	
682	**Balance at 31 March 2016**		**1,023**

Note 21.3: Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and 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.

2014/15 £'000		2015/16 £'000	
71,079	Balance at 1 April		**63,888**
(4,285)	Charges for depreciation and impairment of non current assets	(2,969)	
(5,588)	Revaluation losses on Property, Plant and Equipment	1,463	
(52)	Amortisation of intangible assets	(62)	
(1,545)	Revenue expenditure funded from capital under statute	(821)	
(131)	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		
(11,601)			**(2,389)**
0	Adjusting amounts written out of the Revaluation Reserve		
(11,601)	**Net written out amount of the cost of non current assets consumed in the year**		**(2,389)**
	Capital financing applied in the year:		
2,461	Use of the Capital Receipts Reserve to finance new capital expenditure	4,353	
1,211	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	484	
91	Application of grants to capital financing from the Capital Grants Unapplied Account	1,854	
295	Statutory provision for the financing of capital investment charged against the General Fund	165	
4,058			**6,856**
352	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,268
63,888	**Balance at 31 March**		**69,623**

Note 21.4: 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.

2014/15 £'000		2015/16 £'000
863	**Balance at 1 April**	**812**
(48)	Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(48)
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(2)
812	**Balance at 31 March**	**762**

Note 21.5: 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.

2014/15 £'000		2015/16 £'000
(28,414)	**Balance at 1 April**	**(35,116)**
(5,609)	Remeasurements of the net defined benefit liability/(asset)	8,301
(2,885)	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	(3,099)
1,792	Employer's pensions contributions and direct payments to pensioners payable in the year	1,861
(35,116)	**Balance at 31 March**	**(28,053)**

Note 21.6: Collection Fund Adjustment Account

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

2014/15 £'000		2015/16 £'000
(111)	**Balance at 1 April**	**(736)**
87	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	(172)
(712)	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Business Rate income calculated for the year in accordance with statutory requirements	1,042
(736)	**Balance at 31 March**	**134**

Note 21.7: 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.

2014/15 £'000		2015/16 £'000
(148)	**Balance at 1 April**	**(163)**
148	Settlement or cancellation of accrual made at the end of the preceding year	163
(163)	**Amounts accrued at the end of the current year**	(168)
(15)	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	(5)
(163)	**Balance at 31 March**	**(168)**

Note 22: Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

2014/15 £'000		2015/16 £'000
(227)	Interest received	(185)
153	Interest paid	128
(312)	Dividends received	(328)
(386)	**TOTALS**	**(385)**

2014/15 £'000		2015/16 £'000
(4,286)	Depreciation	(2,969)
(5,588)	Impairment and downward valuations	1,463
(52)	Amortisation	(62)
0	Adjustments for effective interest rates	0
7	Disposals of non current assets	5
1,396	Increase/(decrease) in creditors	1,770
463	Increase/(decrease) in debtors	1,438
40	Increase/(decrease) in inventories	4
(1,093)	Movement in pension liability	(1,238)
(2,279)	Other movements	3,726
(11,392)	**TOTALS**	**4,137**

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

2014/15 £'000		2015/16 £'000
1,334	Capital Grants credited to Surplus deficit on provision of services	2,183
(605)	Other Comprehensive Income & Expenditure Surplus on Revaluation of Investments	(341)
948	Proceeds from the Sale of PPE, investment property & intangibles	(1,200)
1,677	**TOTALS**	**642**

Note 23: Cash Flow - Investing Activities

2014/15 £'000		2015/16 £'000
2,218	Purchase of property, plant and equipment, investment property and intangible assets	5,076
1,565	Other payments for investing activities	1,196
(63)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
	Proceeds from short and long term investments	0
1,103	Purchase of short and long term investments	(7,159)
(2,917)	Other receipts from investing activities	0
1,906	**Net cash flows from investing activities**	**887**

Note 24: Cash Flow - Financing Activities

2014/15 £'000		2015/16 £'000
(242)	Other receipts from financing activities	(41)
236	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(39)
(6)	**Net cash flows from financing activities**	**(80)**

Note 25.1: 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:

2015/16 Service Income and Expenditure	Environment Portfolio £'000	Wellbeing Portfolio £'000	Community Engagement & Resident Services Portfolio £'000	Property & Parking Portfolio £'000	Planning Portfolio £'000	Finance & Performance Portfolio £'000	Total £'000
Fees, charges & other service income	(2,396)	(2,977)	(1,144)	(5,499)	(1,269)	(210)	(13,495)
Government grants	(53)	(219)	(22,034)	0	(115)	(152)	(22,573)
Total Income	**(2,449)**	**(3,196)**	**(23,178)**	**(5,499)**	**(1,384)**	**(362)**	**(36,068)**
Employee expenses	868	1,605	1,607	1,582	1,719	3,444	10,825
Other service expenses	5,258	1,522	23,250	2,214	335	1,579	34,158
Support service recharges	0	(27)	0	(127)	0	(134)	(288)
Total Expenditure	**6,126**	**3,100**	**24,857**	**3,669**	**2,054**	**4,889**	**44,695**
Net Expenditure	**3,677**	**(96)**	**1,679**	**(1,830)**	**670**	**4,527**	**8,627**

2014/15 Service Income and Expenditure reprofiled on revised portfolios	Environment Portfolio £'000	Wellbeing Portfolio £'000	Community Engagement & Resident Services Portfolio £'000	Property & Parking Portfolio £'000	Planning Portfolio £'000	Finance & Performance Portfolio £'000	Total £'000
Fees, charges & other service income	(2,513)	(2,525)	(1,027)	(5,349)	(1,274)	(301)	(12,989)
Government grants	(88)	(310)	(21,549)	0	(20)	(152)	(22,119)
Total Income	**(2,601)**	**(2,835)**	**(22,576)**	**(5,349)**	**(1,294)**	**(453)**	**(35,108)**
Employee expenses	871	1,529	1,555	1,389	1,693	3,216	10,253
Other service expenses	5,402	1,582	22,495	2,199	377	1,780	33,835
Support service recharges	(6)	(26)	(22)	(148)	0	(189)	(391)
Total Expenditure	**6,267**	**3,085**	**24,028**	**3,440**	**2,070**	**4,807**	**43,697**
Net Expenditure	**3,666**	**250**	**1,452**	**(1,909)**	**776**	**4,354**	**8,589**

Note 25.2 : 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.

	2014/15 £'000	2015/16 £'000
Net Expenditure in the Service Analysis	8,589	8,627
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	9,923	2,451
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,347	2,227
Cost of Services in Comprehensive Income and Expenditure Statement	**19,859**	**13,305**

Note 25.3 : 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.

2015/16	Service 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	(13,787)	(891)	1,868	470	(12,340)	(358)	(12,698)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(842)	(842)
Interest and investment income	0	0	0	0	0	(3,374)	(3,374)
Income from NNDR	0	0	0	0	0	(15,752)	(15,752)
Income from council tax	0	0	0	0	0	(6,587)	(6,587)
Government grants and contributions	(22,572)	0	0		(22,572)	(4,494)	(27,066)
Total Income	**(36,359)**	**(891)**	**1,868**	**470**	**(34,912)**	**(31,407)**	**(66,319)**
Employee expenses	10,825	817	0	(5,610)	6,032	0	6,032
Other service expenses	34,449	664	(298)	(1,588)	33,227	87	33,314
Support Service recharges	(288)	0	(308)	7,373	6,777	0	6,777
Depreciation, amortisation and impairment	0	3,031	(28)	(645)	2,358	13	2,371
Revaluation Losses	0	(1,170)	993	0	(177)	0	(177)
Expenditure NNDR	0	0	0	0	0	12,840	12,840
Interest Payments	0	0	0	0	0	526	526
Precepts & Levies	0	0	0	0	0	193	193
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0
Total expenditure	**44,986**	**3,342**	**359**	**(470)**	**48,217**	**13,659**	**61,876**
Surplus or deficit on the provision of services	**8,627**	**2,451**	**2,227**	**0**	**13,305**	**(17,748)**	**(4,443)**

2014/15	Service 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	(12,989)	(1,750)	1,765	440	(12,534)	(414)	(12,948)
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(403)	(403)
Interest and investment income	0	0	0	0	0	(2,275)	(2,275)
Income from NNDR						(14,797)	(14,797)
Income from council tax	0	0	0	0	0	(6,411)	(6,411)
Government grants and contributions	(22,119)	0	0	0	(22,119)	(2,535)	(24,654)
Total Income	**(35,108)**	**(1,750)**	**1,765**	**440**	**(34,653)**	**(26,835)**	**(61,488)**
Employee expenses	10,253	544	0	(5,131)	5,666	0	5,666
Other service expenses	33,835	1,204	(147)	(1,682)	33,210	0	33,210
Support Service recharges	(391)	0	(274)	7,961	7,296	0	7,296
Depreciation, amortisation and impairment	0	4,337	0	(1,588)	2,749	0	2,749
Revaluation Losses	0	5,588	0	0	5,588	0	5,588
Expenditure NNDR	0	0	0	0	0	13,651	13,651
Interest Payments						1,413	1,413
Precepts & Levies	0	0	0	0	0	183	183
Payments Housing Capital Receipts Pool	0	0	0	0	0	2	2
Total expenditure	**43,697**	**11,673**	**(421)**	**(440)**	**54,509**	**15,249**	**69,758**
Surplus or deficit on the provision of services	**8,589**	**9,923**	**1,344**	**0**	**19,856**	**(11,586)**	**8,270**

Note 26: Members Allowances

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

	2014/15 £'000	2015/16 £'000
Salaries	0	0
Allowances	207	208
Expenses	7	5
Total	**214**	**213**

Note 27.1: Officers' Remuneration

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

Post Holder Information	Year	Salary, Fees and Allowances £	Bonuses £	Expense Allowances £	Compensation for Loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total £
Deputy Chief Executive (formerly Strategic Director)	**2015/16**	**91,498**	**0**	**6,747**	**0**		**98,245**	**15,011**	**113,256**
	2014/15	89,563	0	6,774	0	0	96,337	14,745	111,082
Corporate Head of service - Property, Revenues, Parking etc	**2015/16**	**76,164**	**0**	**0**	**0**	**3,552**	**79,716**	**11,708**	**91,424**
	2014/15	72,765	0	1,739	0	2,640	77,144	11,443	88,587
Corporate Head of Service - Democratic Services, Legal etc	**2015/16**	**77,096**	**0**	**0**	**0**	**3,552**	**80,648**	**11,532**	**92,180**
	2014/15	72,765	0	4,456	0	2,708	79,929	11,478	91,407
Corporate Head of Service - Housing, Benefits, Telecare etc	**2015/16**	**74,547**	**0**	**1,239**	**0**	**0**	**75,786**	**11,463**	**87,249**
	2014/15	72,765	0	498	0	0	73,263	11,279	84,542
Corporate Head of Service - Environmental, Communications etc	**2015/16**	**66,686**	**0**	**1,239**	**0**	**0**	**67,925**	**10,291**	**78,216**
	2014/15	57,362	0	1,507	0	0	58,869	9,018	67,887
Corporate Head of Service - Planning	**2015/16**	**0**	**0**	**0**	**0**	**0**	**0**		**0**
	2014/15	11,474	0	189	77,102	0	88,765	940	89,705
Legal Services Manager - Statutory Monitoring Officer	**2015/16**	**59,064**	**0**	**1,239**	**0**	**0**	**60,303**	**9,044**	**69,347**
	2014/15	57,135	0	677	0	0	57,812	8,947	66,759
Financial Services Manager (wef 11/08/14)	**2015/16**	**53,856**	**0**	**0**	**0**	**0**	**53,856**	**8,261**	**62,117**
	2014/15	33,460	0	734	0	0	34,194	5,309	39,503
Total	**2015/16**	**498,911**	**0**	**10,464**	**0**	**7,104**	**516,479**	**77,310**	**593,789**
	2014/15	467,289	0	16,574	77,102	5,348	566,313	73,159	639,472

Seconded and Agency Appointments

The Chief Executive was on secondment from Surrey County Council for all of 2015/16. Her remuneration is therefore disclosed by Surrey County Council for this period. For information, the figures are set out below, along with payments for Returning Officer duties at various elections. Payment was also made, via an employment agency, for an Interim Head of Planning. The total payment to the Agency is disclosed below.

Seconded and Agency Officers' Remuneration	2015/16 £
Chief Executive	139,546
Interim Head of Planning	131,950
Total	**271,496**

Note 27.2: 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	2014/15 Number of employees Total	2014/15 Number of employees Left during the year	2015/16 Number of employees Total	2015/16 Number of employees Left during the year
£50,000 - £54,999 *	10	1	10	1
£55,000 - £59,999 **	4	0	2	0
£60,000 - £64,999	0	0	2	0
£65,000 - £69,999	0	0	1	0
£70,000 - £74,999	2	1	0	0
£75,000 - £79,999	1	0	2	0
£80,000 - £84,999	1	0	1	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	0	1	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	0	0	0	0
TOTAL	**19**	**2**	**19**	**1**

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

* One of the officers shown here worked part time hours. One of the officers has left during the year. Their salaries have been annualised for this exercise.

** One of the officers shown here is on a secondment to another Authority for part of their working week. For this exercise, their salary has been annualised.

The Chief Executive (wef 10/09/12) was on secondment from Surrey County Council for all of 2015/16.

As Surrey County Council is the employing Authority the Chief Executive's remuneration in this case will be disclosed in Surrey County Council's Accounts. Payment was also made, via an employment agency, for an Interim Head of Planning. These two positions are included separately in the table below.

Seconded Officers Potential Bandings if included in above bandings	Numbers/Full time
£130,000 - £134,999	1
£135,000 - £139,999	1

Note 27.3: 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 band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	0	0	0	2	0	2	0	8,284
£20,001 - £40,000	0	0	0	1	0	1	0	25,000
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	0	1	0	77,102	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total cost included in the bandings & in the CIES	**0**	**0**	**1**	**3**	**1**	**3**	**77,102**	**33,284**

Note 28: 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.

	2014/15 £'000	2015/16 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	62	46
Fees payable to Grant Thornton in respect of Statutory inspections	2	0
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	12	11
Fees payable in respect of other services provided by Grant Thornton during the year	6	7
Total	**82**	**64**

Note 29.1: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Credited to Taxation and Non Specific Grant Income	2014/15 £'000	2015/16 £'000
Revenue Support Grant including Local Council Tax Support scheme	1,297	903
New Homes Bonus	956	1,088
Small Business Rate Relief Grant	379	386
Other Business Rate Relief Grant	137	143
Flood Relief Grant	132	0
Capital Grants and Contributions	124	2,367
Non Ring-fenced Government Grant	53	129
New Burdens Grant	28	0
Transparency Grant	0	8
Sub Total	**3,106**	**5,024**

Credited to Services	2014/15 £'000	2015/16 £'000
Housing Benefit Allowance subsidy	20,714	21,315
Housing Benefit Rent Rebate subsidy	156	199
Housing Benefit Admin Grant	423	305
Housing Benefit Specific Grant	24	33
Discretionary Housing Payments	83	56
NNDR cost of collection allowance	151	152
Localisation of Council Tax Support Scheme	126	14
PPP funding	122	68
Other Grants	177	297
Total	**21,976**	**22,439**

Note 29.2: 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 donator. The balances at the year-end are as follows:

	2014/15 £'000	2015/16 £'000
Grants Receipts in Advance-Capital Grants		
s106 (Developer infrastructure) contributions	349	375
Total	**349**	**375**

	2014/15 £'000	2015/16 £'000
Grants Receipts in Advance-Revenue Grants		
- grants received from government departments	375	434
Total	**375**	**434**

Note 30: 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 25 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 29.

Note 30: Related Parties cont….

Members

Members of the Council have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 27. Members received a schedule of MVDC grant funded bodies, in excess of £15,000, and confirmed or otherwise that they or any close member of their family held no positions of influence over the awarding of these grants. During 2015/16 the Council awarded grant payments, in excess of £15,000, of £432,929 (£926,948 in 2014/15) to 9 voluntary and community organisations (5 in 2014/15) in which 5 Council Members (7 in 2014/15) had, or family members had, positions on the Organisation's 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 Circle Housing Mole Valley (Mole Valley Housing Association) was by way of contributions towards the building of affordable housing properties in the district.

Please Note: In accordance with the policy for Related Parties i.e. the declaration of Voluntary Organisation grants payable, a de minimis of £15,000 or above has been applied for both 2014/15 and 2015/16.

2014/15 Grant Paid (£'000)	Member	Voluntary Organisation	2015/16 Grant Payable (£'000)	Member
735	Sarah Steed, Philippa Shimmin	Circle Housing Mole Valley (Mole Valley Housing Association)	0	-
131	Bridget Lewis-Carr, Lynne Brooks	Leatherhead and Dorking Citizens Advice Bureaux	133	Lynne Brooks, Emile Aboud
0	-	Stonham Home Group	108	-
0	-	Dorking United Reformed Church	40	David Draper
0	-	Ashtead Parochial Church Council	40	-
0	-	Transform Housing & Support	40	-
0	-	Bookham Community Association	20	Stella Brooks
0	-	Eastwick Road Church	20	-
0	-	Lower Mole Countryside Management	17	Corinna Osborne-Patterson
28	John Muggeridge	Dorking Rugby Football Club	0	-
17	John Northcott	Voluntary Action Mid Surrey	15	-
16	Vivienne Michael	Oakwood Hill Village Hall	0	-
927			**433**	

Officers

The Strategic Management Team (comprising of the Chief Executive, Deputy Chief Executive and five Corporate Heads of Service) and the Business Managers Group (comprising 25 Officers) 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 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.

Note 31: 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.

	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	3,085	2,791
Capital investment		
Property, Plant and Equipment *	1,813	2,117
Heritage Assets *	88	291
Investment Properties *	251	3,446
Intangible Assets *	67	17
Revenue Expenditure Funded from Capital under Statute	1,545	821
Sources of finance		
Capital receipts	(2,461)	(4,354)
Government grants and other contributions	(370)	(2,183)
Sums set aside from revenue:		
• Direct revenue contributions		
• Developer contributions	(932)	(155)
• MRP	(295)	(115)
Closing Capital Financing Requirement	**2,791**	**2,676**
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)	(295)	(115)
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	**(295)**	**(115)**

Note 32.1.1: 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.

	2014/15 £'000	2015/16 £'000
Other Land and Buildings	1,822	1,754
Vehicles, Plant, Furniture and Equipment	76	47
Finance Leased Assets	**1,898**	**1,801**

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.

	2014/15 £'000	2015/16 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	289	165
• non current	2,849	2,785
Finance costs payable in future years	(152)	(128)
Minimum lease payments	**2,986**	**2,822**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Not later than one year	289	165	289	165
Later than one year and not later than five years	1,111	944	890	842
Later than five years	1,738	1,841	1,807	1,815
Minimum Lease payments payable	**3,138**	**2,950**	**2,986**	**2,822**

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 2015/16 there were no contingent rents payable by the Authority (2014/15 nil).

Note 32.1.2: 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 30 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 2015 £'000	31 March 2016 £'000
Gross receivables - Finance lease debtor (net present value of minimum lease payments)	1,680	1,549
Unguaranteed residual value of property :		
• current	(48)	(50)
• non current	(848)	(767)
Unearned finance income	(896)	(817)
Gross investment in the lease	**784**	**732**

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 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	48	50	48	50
Later than one year and not later than five years	193	200	193	200
Later than five years	1,487	1,349	591	532
Gross Investment in the Lease payments	**1,728**	**1,599**	**832**	**782**

Note 32.2.1: Leases - Authority as Lessee - Operating Leases

The Authority has operating leases for a site in Leatherhead which is used for car parking and a room in the library in Leatherhead used as a Help Shop. The Council also has a leased vehicle for the courier which is on a 4 year contract hire agreement.

	2014/15 £'000	2015/16 £'000
Not later than one year	17	31
Later than one year and not later than five years	34	42
Later than five years	0	15
Total	**51**	**88**

Note 32.2.2: 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, allotments and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The Council as 'lessor' retains the assets on its Balance Sheet and the rental income is credited to revenue as it becomes due.

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

	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	2,172	2,280
Later than one year and not later than five years	7,880	7,897
Later than five years	61,513	55,790
Total	**71,565**	**65,967**

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 2015/16 no contingent rents were receivable by the Authority.

Note 33: Impairment Losses

The Code (paragraph 4.7.4.2(1) 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'. These disclosures are consolidated in Notes 12 and 15 reconciling the movement over the year in Property, Plant & Equipment and Intangible Asset balances. There is no indication of impairment during the year in the Property, Plant and Equipment and Intangible Asset balances.

Note 34: 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. However the Authority has a number of Finance Leases that will have the attribute of notional borrowing.

Note 35.1: 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 for those benefits and to disclose them 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:

Note 35.1: Defined Benefit Pension Schemes cont….

Comprehensive Income & Expenditure Statement - Cost of Services	Local Government Pension Scheme 2014/15 £'000	2015/16 £'000
Cost of Services:		
• Current service cost	1,667	1,973
Financing and Investment Income and Expenditure		
• Net interest cost expense *	1,218	1,126
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2,885**	**3,099**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising :		
• Return on Plan Assets (excluding the amount included in the net interest expense)	5,216	(1,336)
• Actuarial gains and losses arising on changes in financial assumptions	(11,699)	8,253
• Other Experience	874	1,384
Total remeasurements recognised in Other Comprehensive Income & Expenditure	**(5,609)**	**8,301**
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,885)	(3,099)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	1,792	1,861
Actual amount recognised in the General Fund for pensions in the year	**(1,093)**	**(1,238)**

The total remeasurements recognised in Other Comprehensive Income and Expenditure reported a net asset (gain) of £8.301m at 31 March 2016 and at 31 March 2015 incurred a net liability (loss) of £5.609m.

Note 35.2: Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2014/15 £'000	2015/16 £'000
Present value of the defined benefit obligation	(98,108)	(90,669)
Fair value of plan assets	62,992	62,616
Sub-Total	**(35,116)**	**(28,053)**
Other movements in the liability (asset)	0	0
Net Liability arising from defined benefit obligation	**(35,116)**	**(28,053)**

Note 35.3: Reconciliation of the movements in the Fair Value of Scheme (Plan) Assets

In accordance with the Code (6.4.3.42 (6 and 7) the Authority shall provide a reconciliation of the movements in Fair Value of the Scheme's Assets as follows:

	Local Government Pension Scheme 2014/15 £'000	Local Government Pension Scheme 2015/16 £'000
Opening Fair Value of Scheme Assets 1 April	56,490	62,992
Interest income	2,404	1,999
Remeasurement (gains) and losses:		
The Return on plan assets, excluding the amount included in the net interest expense	5,216	(1,336)
Other		
The effect of changes in foreign exchange rates	0	0
Contributions from Employer	1,742	1,810
Contributions from Employees into the scheme	521	499
Benefits paid	(3,381)	(3,348)
Other	0	0
Closing fair value of scheme Assets 31 March	**62,992**	**62,616**

Note 35.4: Reconciliation of present value of the Scheme Liabilities (Defined Benefit Obligation)	Funded liabilities: 2014/15 £'000	Funded liabilities: 2015/16 £'000
Opening balance at 1 April	84,904	98,108
Current service cost	1,667	1,973
Interest cost	3,622	3,125
Contributions by scheme participants	521	499
Remeasurement (gains) and losses:		
Changes in financial assumptions	11,699	(8,253)
Other Experience	(874)	(1,384)
Benefits paid	(3,431)	(3,399)
Closing balance at 31 March	**98,108**	**90,669**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £90.7m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £28.05m. 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 2017 is £1,912,000.

Note 35.5 Local Government Pensions Scheme Assets

The Local Government Pension Scheme Assets comprised :

Fair Value of Scheme Assets - Note 1	2014/15 £'000	% of total assets	2015/16 £'000	% of total assets
Cash and Cash Equivalents	1,177	2%	1,748	3%
Equity Instruments				
By Industry type (Note 2) :				
• Consumer	4,719	8%	5,030	8%
• Manufacturing	3,411	5%	3,828	7%
• Energy and Utilities	2,064	3%	1,759	5%
• Financial Institutions	4,036	6%	4,475	7%
• Health and Care	2,216	4%	2,207	4%
• Information Technology	3,009	5%	3,391	5%
• Other	0	0%	92	0%
Sub-total Equity	**20,632**		**22,530**	
Bonds:				
• Corporate investment grade	2,293	4%	2,679	4%
• Corporate Non-investment	253	0%	166	0%
• Uk government	1,418	2%	0	0%
• Other	586	1%	84	0%
Sub-total Bonds	**4,550**		**2,929**	
Property - by Type:				
• UK	3,975	6%	3,779	6%
• Overseas	30	0%	491	1%
Sub-Total Property	**4,005**		**4,270**	
Private Equity:				
• UK and Overseas *(1)	2,364	4%	2,491	4%
Sub-Total Private Equity	**2,364**		**2,491**	
Investment Funds and unit				
• Equities	18,348	29%	16,299	26%
• Bonds	5,888	9%	6,719	11%
• Other	7,265	12%	7,755	12%
Sub-Total Other Investment	**31,501**		**30,773**	
Derivatives:				
• Interest Rate	(9)	0%	0	0%
• Foreign exchange contracts	(50)	0%	(377)	-1%
Sub-Total Derivatives	**(59)**		**(377)**	
Total Financial Assets	**62,993**		**62,616**	

Note 1 *- All Scheme Assets have quoted prices in active markets with the exception of Private Equity units - quoted prices not in active markets.
Note 2 - The risks relating to assets in the scheme with quoted prices not in active markets are as per below:

Fair Value of Scheme Assets Note 2	2014/15 £'000	% of total assets	2015/16 £'000	% of total assets
Equity Instruments: • UK and Overseas *(1)	2,364	4%	2,491	4%
Sub-Total Private Equity Instruments	**2,364**		**2,491**	

Note 35.6: Financial Assumptions

Liabilities have been assessed by reference to market yields on high quality corporate bonds at the end of the accounting year. The Actuary has derived the discount rate yield based on a corporate bond yield curve. Bond yields have been fairly volatile throughout the year. Local Government Pension Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016. Other assumptions relating to Mortality and Pension, salary and discount rate increases have been included in their report and outlined below:

The principal assumptions used by the actuary have been:

	Local Government Pension	
Mortality assumptions:	**2014/15**	**2015/16**
Longevity at 65 for current pensioners:		
- Men	22.5 yrs	22.5 yrs
- Women	24.6 yrs	24.6 yrs
Longevity at 65 for future pensioners:		
- Men	24.5 yrs	24.5 yrs
- Women	26.9 yrs	26.9 yrs
Rate of increase in salaries	3.80%	3.70%
Rate of increase in pensions	2.40%	2.20%
Rate for discounting scheme liabilities	3.20%	3.50%
Service to April 2008 - Percentage cash convertible as lump sum	25.00%	25.00%
Service post April 2008 - Percentage cash convertible as lump sum	63.00%	63.00%

In order to quantify the impact of a change in financial assumptions used (in accordance with the revised IAS 19 rules) the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 on varying bases.

To quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. The assumption is that the cost of benefits is broadly 3%, in practice the actual cost will depend on the structure of the revised assumption (ie if improvements to survival rates predominantly apply at younger or older ages).

The figures below have been derived based on membership profile at the date of the latest actuarial valuation.

Sensitivity Analysis - changes in assumptions as at 31.3.16	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate % increase to Employer liability	Approximate Monetary Amount £'000
0.5% increase in real discount rate	10%	8,634
1 year increase in member life expectancy	3%	2,720
0.5% increase in Salary increase Rate	2%	2,010
0.5% increase in Pension increase Rate	7%	6,538

Note 35.7: Asset and Liability (ALM Strategy)

Asset and Liability Matching Strategy (ALM Strategy)

The Pensions Committee of Surrey County Council has agreed to an Asset and Liability Matching Strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (30% of scheme assets) and bonds (4%). These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments. There is a limited use of derivatives to manage the bond risk for the shorter-term instruments. The ALM Strategy is monitored annually or more frequently if necessary.

Note 35.8: Impact on the Local Authority's Cash Flows

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2016 (or service after 31 March 2017 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipated to pay £1,810,000 expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 17.2 years in 2015/16.

Note 36: Contingent Liabilities

There were no Contingent Liabilities to report during the year 2015/16.

Note 37: Contingent Assets

The Council has identified a site in North Leatherhead for residential development of 500 homes. Agreement has been reached with a developer which may generate a capital receipt for the Council of approximately £20m.

Note 38. 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 2015/16	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Mayflower fund raising and endowment fund	0	0	4	0
Fairfield fund raising and endowment fund	13	12	22	0
Thomas Flack fund				
- Net Carrying Value Assets	33	59	743	0
Total	**46**	**71**	**769**	**0**

Funds for which the Authority acts as a custodian trustee:

For the Year 2014/15	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	18	22	0
Thomas Flack fund				
- Net Carrying Value Assets	28	18	535	0
Total	**44**	**36**	**561**	**0**

Note 39 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. The introduction to Business Rates Retention requires Local Authorities to maintain separate Collection Fund Accounts for Business Rates and Council Tax as follows:

Collection Fund for the Year Ended 31 March 2016

2015/16 Notes		Business Rates NNDR 3 £'000	Council Tax £'000	TOTALS £'000
Income	**Notes**			
Council Tax Receivable	1	0	63,839	63,839
Business Rates Receivable	3	37,863	0	37,863
Total Income		37,863	63,839	101,702
Charges to the Collection Fund:				
Less write offs of uncollectable amounts		16	13	29
Less increase (-)/Decrease in provision for Bad Debts		120	60	180
Less increase (-)/Decrease in provision for appeals*		(3,110)	0	(3,110)
Less Disregarded amounts		0	0	0
Contribution to Collection Fund Surplus		0	1,980	1,980
Total Charges to the Collection Fund		(2,974)	2,053	(921)
Collectable Rates		**40,837**	**61,786**	**102,623**
Less Other Charges :				
Transitional Protection sums due from the Authority		23	0	23
Cost of Collection allowance		152	0	152
Non-domestic Rating (NNDR) income for 2015/16		**40,662**	**61,786**	**102,448**
Demands Precepts and Proportionate Shares				
DCLG /Central Government		20,331	0	20,331
Mole Valley	2	16,265	6,554	22,819
County Council	2	4,066	48,338	52,404
Surrey Police	2	0	8,556	8,556
NNDR Income as at 31 March 2016		**40,662**	**63,448**	**104,110**
Less NNDR1 and NNDR 3 Reconciliation Amounts *	3	2,788	0	2,788
Surplus/Deficit (-) arising during the year		**2,788**	**(1,662)**	**1,126**
Surplus /Deficit (-) b/f 1st April 2015		**0**	**0**	**0**
Estimated Surplus/Deficit (-) payable in 2015/16		**(184)**	**0**	**0**
Surplus/Deficit (-) arising during the year including paid in year		**2,604**	**(1,662)**	**1,126**

Collection Fund Surplus/(Deficit)		Business Rates £'000	Council Tax £'000	2015/16 £'000
DCLG /Central Government		147	0	147
Mole Valley		118	16	134
County Council		29	118	147
Surrey Police		0	21	21
Surplus/Deficit (-) c/f 31st March 2016		**294**	**155**	**449**

Memorandum Note - Debtors and Prepayments		Business Rates £'000	Council Tax £'000	2015/16 £'000
Sums outstanding from Ratepayers (Arrears/Debtors)		1,828	1,108	2,936
Prepayments and Overpayments		2,212	764	2,976

* Please see Note 11 for General Fund NNDR allocations

Comparative Information - Collection Fund 2014/15

The Authority has changed the presentation and classification of items in the Collection Fund Statement, therefore it is impracticable to reclassify comparative amounts. This change was as a result of Business Rate Retention legislation that came into force from 2013/14 year. The Collection Fund is now required to separate surpluses/deficits on the Collection Fund for Council Tax and Non-domestic rates by Statute. (Paragraph 3.4.2.31 of the CIPFA code of Practice on Local Authority Accounting in the UK refers)The balances for both Council Tax and Business Rate income and expenditure for 2014/15 is as follows:

2014/15	Notes	Business Rates (NNDR 3) £'000	Council Tax £'000	TOTALS £'000
Income				
Council Tax receivable	1	0	62,133	62,133
Business Rates receivable	3	36,962	0	36,962
Total income		36,962	62,133	99,095
Charges to the Collection Fund				
Less write offs of uncollectable amounts		(123)	0	(123)
Less (inc)/decrease in provision for bad debts		50	44	94
Less (inc)/decrease in provision for appeals		45	40	85
Less disregarded amounts		2,662	0	2,662
Contribution to Collection Fund Surplus		0	570	570
Total charges to the Collection Fund		2,634	654	3,288
Collectable Rates and Tax		**34,328**	**61,479**	**95,807**
Less other charges:				
Transitional Protection sums due from the Authority		61	0	61
Cost of Collection allowance		151	0	151
Total income		212	0	212
NNDR and Council Tax Income for 2014/15		**34,116**	**61,479**	**95,595**

Collection Fund Surplus/(Deficit)	Business Rates £'000	Council Tax £'000	2014/15 Total £'000
DCLG /Central Government (50% Share NNDR)	(1,155)	0	(1,155)
Mole Valley Share (40% Share NNDR)	(924)	188	(736)
Surrey County Council (10% Share NNDR)	(231)	1,384	1,153
Surrey Police (Council Tax only)	0	245	245
Surplus/Deficit (-) c/f 31st March 2015	**(2,310)**	**1,817**	**(493)**

Memorandum Note - Debtors and Prepayments	Business Rates £'000	Council Tax £'000	2014/15 Total £'000
Sums outstanding from Ratepayers (Arrears/Debtors)	1,067	1,036	2,103
Prepayments and Overpayments	774	702	1,476

Note 39.1 : 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 2015/16 (with comparative figures for 2014/15) is set out below:

Bands and value ranges	Estimated number of properties	Multiplier	2014/15 Band D equivalent	2015/16 Band D equivalent
A - up to £40,000	930	6/9	576	620
B - from £40,001 to £52,000	1440	7/9	1,031	1,120
C - from £52,001 to £68,000	2790	8/9	2,339	2,480
D - from £68,001 to £88,000	6475	9/9	6,305	6,475
E - from £88,001 to £120,000	6145	11/9	7,332	7,511
F - from £120,001 to £160,000	5648	13/9	8,005	8,158
G - from £160,001 to £320,000	7025	15/9	11,564	11,709
H - more than £320,001	938	18/9	1,786	1,876
Sub total			38,938	39,949
Less allowance for non-collection			(389)	(399)
Add Crown properties (in lieu)			82	82
Council Tax Base			38,631	39,632

The average Band D Council Tax for 2015/16, excluding parishes was £1,596.09, (£1,564.98 in 2014/15).

Note 39.2 Preceptors

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

	2014/15 £'000	2015/16 £'000
Surrey County Council	46,196	48,338
Surrey Police Authority	8,177	8,556
Mole Valley District Council	6,083	6,362
Parish Councils	183	193
	60,639	**63,449**

Parish Council Precepts are set out below:

	2014/15 £'000	2015/16 £'000
Abinger	22	23
Betchworth	9	11
Brockham	16	17
Buckland	9	9
Capel	32	38
Charlwood	32	33
Headley	13	13
Holmwood	12	11
Leigh	11	11
Mickleham	5	5
Newdigate	9	9
Ockley	10	10
Wotton	3	3
	183	**193**

Note 39.3 Safety Net Calculations NNDR apportionments 31.3.2016	Note	2015/16 £'000
NNDR Income as at 31.3.2016		40,662
Split as follows:		
Central Government (DCLG) 50%	39	20,331
Surrey County Council 10% Share	39	4,066
Mole Valley District Council 40% Share	39	16,265
Reconciliation to Note 11 income Figure (General Fund) :		
Add half of Small Business Rate Relief x 40% MVDC Share		960
Add Discretionary Reliefs (thru' S31 Grant) x 40% (MVDC Share)		546
Authority Share MVDC for Safety Net and Levy Calculation 40%	11	16,867

Note 39.4 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.

	2014/15	2015/16
Non-Domestic Rateable Value Gross	£90.14m	£90.29m
Standard Business Rate	48.2p	49.3p
Small Business Rate	47.1p	48.0p
Business Rates Receivable after reliefs & transition	£36.96m	£37.86m

Note 40: Nature and Extent of Risks Arising from Financial Instruments

Key Risks
The Council's activities expose it to a variety of financial risks. The Council 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 Council;
Liquidity risk: the possibility that the Council might not have funds available to meet its commitments to make payments;
Re-financing risk : the possibility that the Council 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 Council as a result of changes in such measures as interest rates movements or fluctuations in property values (see below in Notes).

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;
- 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:
  - The Council’s overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - 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 10th March 2015 and is available on the Council website. The key issues within the Strategy were:

Note 40: Nature and Extent of Risks Arising from Financial Instruments

- The Authorised Limit for 2015/16 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 in 2015/16. 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 35% respectively.
- The maximum and minimum exposures to the maturity structure of debt were both set at 0% for 2015/16.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the calculation and monitoring of Prudential Indicators 2015/16 – 2017/18 and adoption of the Treasury Management Strategy and Plan 2015/16 (approved by Council on 10th March 2015), 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.

The key criteria in respect of financial assets held by the Council are detailed below:

- The Council 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-2/A-1 (Fitch, Moody's and Standard and Poor's), Long Term A/A3/A (Fitch, Moody's and Standard and Poor's 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 Council.

The Council’s maximum exposure to credit risk in relation to its investments in financial institutions 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 Council’s deposits, but there was no evidence at the 31st March 2016 that this was likely to occur.

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

Note 40: Nature and Extent of Risks Arising from Financial Instruments

The Council does not generally allow credit for its customers, such that £1.882m of the 2015/16 £5.802m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2014/15 £'000	2015/16 £'000
Within payment terms	147	274
Less than three months	1,005	410
Three to six months	62	8
Six months to nine months	70	8
More than nine months	189	182
Total	**1,473**	**882**

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

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

	2014/15 £'000	2015/16 £'000
Less than 1 year	16,001	8,500
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
Other – greater than 1 year	5,682	6,023
Total	**21,683**	**14,523**

Refinancing and Maturity Risk
The Council maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council 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 used to address this risk. The Council's approved treasury and investment strategies address the main risks and the Council'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 Council'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 Council has no long-term financial liabilities and has been debt free since 1st April 1997.

Market Risk
Risks of investing in Property Funds:
The value of units will rise and fall and there is an inherent risk from fluctuations in property values that may impair returns on investment. There is also the possibility that an investor may not get back the amount originally invested. Past performance is no guarantee of future returns. However, the units are only intended for long-term investment and are not highly liquid and a period of notice may be imposed for redemption of units. Yields may vary and are not guaranteed.

Interest rate risk - The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, 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 Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and Plan draws together the Council'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 Council monitors market and forecast 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.

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

Interest Rate Risk	2014/15 £'000	2015/16 £'000
Increase in interest payable on variable rate borrowings	0	0
Increase in interest receivable on variable rate investments	(322)	(327)
	(322)	**(327)**
Decrease in fair value of fixed rate investment assets	0	0
Impact on Other Comprehensive Income and Expenditure	0	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**0**	**0**

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

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.

Business Rate Retention (BRR)

A scheme issued by statute (Local Government Finance Act 2012 and Non-Domestic Rates Retention 2013) to calculate retained business rate earnings after calculation of levies, tariffs and top-ups and after sharing out the retained income amongst the preceptors.

GLOSSARY

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).

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).

GLOSSARY

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.

Depreciation

The measure of the cost or revalued amount of the benefits of a non-current asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a non-current 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.

Existing Use Value (EUV)

Assets that are valued in their existing use are known as EUV Assets

General Fund

The General Fund is the principal 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) and Non-HRA (Non Housing Revenue Account)

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 non-current asset, greater than normal depreciation, below its carrying amount in the balance sheet.

International Accounting Standards (IAS)

International Accounting Standards issued by the Accounting Standards Board and EU adopted. Where the 'Code' does not explicitly deal with a transaction reference would have to be made against any relevant IAS or other interpretation of the standard such as SIC/IFRIC, IPSAS or other GAAP reference

International Financial Reporting Standards (IFRS)

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

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 (PPE)

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.

GLOSSARY

Rateable Value

Assessment by the Valuation Office Agency (an Executive Agency of HM Revenue and Customs) 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
(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate 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 non-current asset.

Audit opinion

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

Opinion on the Council financial statements

INDEPENDENT AUDITORS REPORT

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