Mole Valley
District Council

STATEMENT OF ACCOUNTS

2016/17

STATEMENT OF ACCOUNTS

For the year ended 31 March 2017

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NARRATIVE REPORT

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, assisting the reader in the interpretation of the accounting statements.

The Statement of Accounts for the year ended 31st March 2017 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. 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.

Overview

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

Mole Valley's capital spending for the year was £17.5m. The Authority funded its capital investment by a combination of borrowing, grants, capital receipts and revenue contributions. Recent, increased levels of capital investment have required the Authority to borrow for the first time in many years and the annual Treasury Management Strategy now contains a plan for debt financing.

Budgeted Income & Expenditure

The budget requirement for Mole Valley was £10.055m for 2016/17. At 31 March, the total net expenditure within the control of budget managers was £10.153m excluding internal recharges and indirect costs, leaving the Council with a reported overspend of £98,000 against budgeted costs reported to the Executive on 27th June 2017. This was in line with the position forecast during the year by budget managers. There have been further changes to the reported outturn for those items that are not controlled, on a monthly basis, by budget managers – e.g. depreciation and pension adjustments

The main variations against budget (over £100,000) contributing to this net position were:-

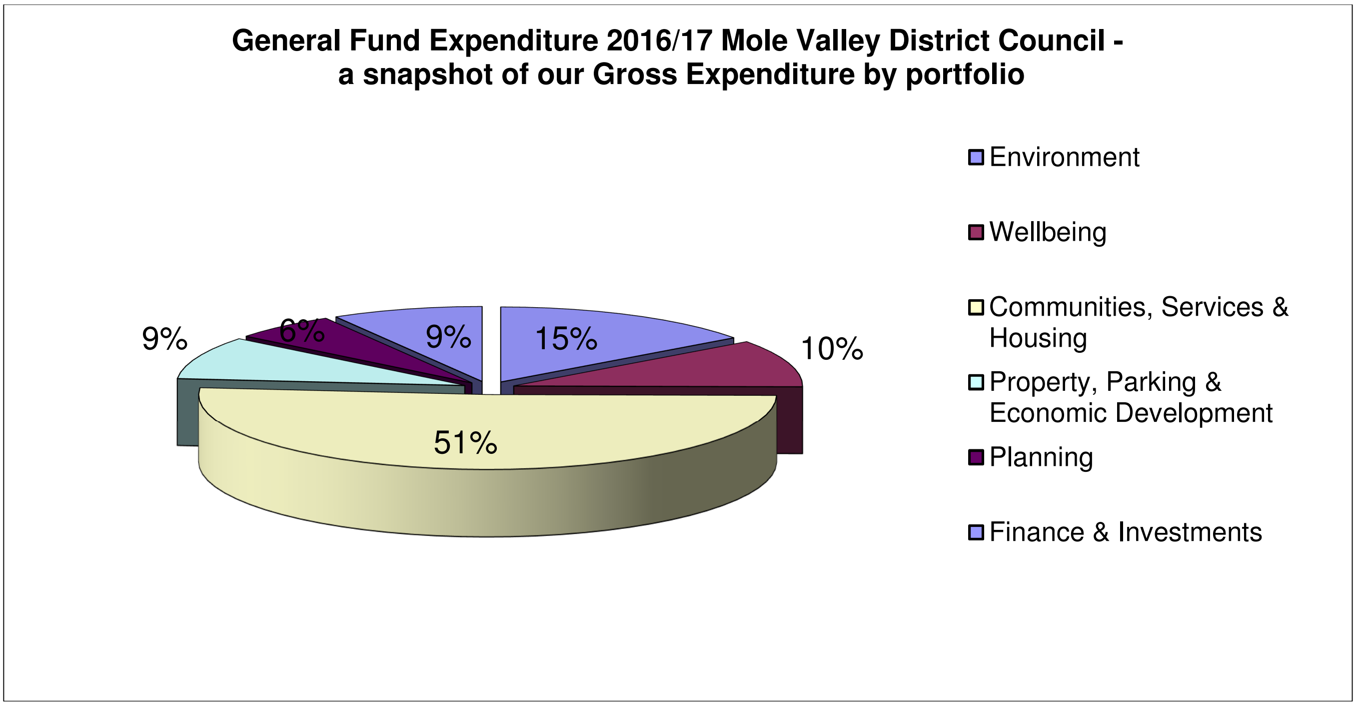
- Planning Development Management - £187,000 overspent, due mainly to the costs of consultants and agency staff required to fill key vacancies;
- Environmental Services - £169,000 overspent, due to additional staffing costs and preparatory costs relating to the new joint contract for Waste collection;
- Revenues & Exchequer - £118,000 overspent due to higher agency costs filling key vacancies;
- Property - £249,000 underspent due to additional income following the purchase of the lease of the Swan Centre in Leatherhead;
- ICT - £146,000 underspent for a combination of reasons, in particular due to the fact that the planned migration to a shared service centre during 2016/17 did not take place.

<u>Transform Leatherhead</u>

Additional revenue expenditure of £0.2m related 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 £0.5m 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 a Masterplanning consultant and backfill costs for staff in Property, Planning and Legal to enable a dedicated in-house team to work on the project. Also, in 2015/16, the Council had acquired strategically important property assets in Leatherhead - Claire House and James House. These properties are situated in a prime location on the banks of the River Mole in Leatherhead, and are currently held as Investment assets awaiting development. Costs of around £0.1m for a development brief for these properties were incurred during 2016/17. Running costs of these sites are also included in the Transform Leatherhead costs for the year.

The Council also purchased the lease for the main shopping centre in Leatherhead – The Swan Centre – early in 2016/17 at a cost of £8.5m. Alongside the freehold for these premises that is already held by the Council, this purchase represents another important strategic step forward in the plan to transform Leatherhead. The lease generates income of around £0.7m which has partly helped to balance the budget in 2016/17 but also provided additional resources for asset investment and development.

The Comprehensive Income and Expenditure Statement on Page 19 includes direct and indirect total cost of £16.2m for the Authority, which includes direct service net expenditure of £10.2m.



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 overspend of £143,000.

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 remedial action to be put in place.

Council Funding and 4-year Efficiency Plan

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 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 Government introduced a new medium term approach in relation to Rate Support Grant. For the first time, Councils were offered certainty of grant over the remaining 4 years of the Parliament in return for providing an "Efficiency Plan" setting out how the Council planned to balance its budget over that time. Unfortunately, this offer of "certainty" coincided with a reduction of RSG to zero so the Council can plan ahead, but only on the basis of zero grant. The Council fulfilled the Efficiency Plan requirement by providing its projected budget position, as extracted from the updated Medium Term Financial Strategy, for 2016/17 to 2019/20.

Asset Investment Strategy

The reduction in Government grant for 2016/17 onwards left the Council with a hole to fill in its budget if the current level of services is to be maintained. An Asset Investment Strategy was introduced in October 2016 and approved by Council. It involves capital expenditure of £48m, to be financed by borrowing while interest rates are low. These funds will be invested in appropriate property assets over the next three years with a view to generating additional net income of £0.75m. A robust set of criteria, assessing the size of each investment, the location, the initial yield and the internal rate of return have been agreed against which to judge potential investments. To enable the Council to invest in properties outside its borders, a wholly owned company (MOVA Property Holdings) has been set up.

Although a number of properties were considered for purchase during 2016/17, the first one to be successfully concluded, with the Council's criteria met and due diligence applied, was in April 2017.

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, including earmarked reserves stood at £14.67m at the beginning of the year and are £12.23m at the end of the year – as the Movement in Reserves statement shows.

During the year, the Council took the opportunity, afforded by the triennial Pension Fund Actuarial Valuation, to use £4m of the revenue reserve to pay off, in advance, some of the accumulated liability based on the Actuary's latest projections of the Fund's prospects for the next 20 years. The early repayment has had a beneficial impact on the Council's annual charge for pensions which has reduced by around £0.4m as a result.

Capital Expenditure

The expenditure on capital projects during 2016/17 was £17.5m at year end. Of this, £16.9m was spent on major schemes (over £50,000) and £0.6m on minor works. The bulk of the expenditure, at £8.5m, was on the purchase of the Swan Centre lease as part of the Transform Leatherhead project. Other major scheme highlights include the refurbishment of the Pippbrook Offices (£3.6m), the regeneration of Meadowbank playing fields (£1.6m) and the funding of housing adaptations for the disabled (£0.7m).

Borrowing

The Council has been debt-free since 1997 but the increase in capital outlay over recent years (for purchase of assets in Leatherhead and the refurbishment and regeneration of Pippbrook and Meadowbank in Dorking) has reduced the Council's balances to the point where borrowing was, once again, required. This was particularly the case with the introduction of the Asset Investment Strategy.

The borrowing requirement during 2016/17 was £11m, of which £10m was borrowed from the Public Works Loan Board (PWLB) and the remainder was financed through internal borrowing against earmarked reserves that will need to be replenished in future years.

Economy, Efficiency & Effectiveness

Our External Auditors, Grant Thornton, undertook the annual review and examination of the Council's accounts for 2015/16 between July and September 2016. 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.

Pension Fund Update

The triennial Actuarial Valuation of the Surrey Pension Fund took place as at 31 March 2016, though the outcome was not notified until midway through the 2016/17 year and the consequent amendments to contribution rates take effect from 1 April 2017. At the end of 2016/17, the assessed net deficit on the Fund (the amount by which liabilities of £108.8m outweigh assets of £78.6m) was £30m, slightly higher than reported last year. The movement since last year was a increase of £16m on assets and £18m on liabilities.

Material events after the reporting date

As explained above, the first purchase under the Asset Investment Strategy, of a supermarket premises near Swansea, took place in April 2017, shortly after the end of the 2016/17 financial year.

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 2017/18 budget. Revenue Support Grant from the Government reduced to zero in 2017/18. New Homes Bonus has been remodelled in a way that reduced the Council's receipts by £0.3m. The constraints on the level of Council Tax increases are likely to continue, with the limit of £5 increase on a Band D household allowed before a referendum is triggered.

The Medium Term Financial Strategy is annually updated to reflect the Council's latest forecasts. The Government has encouraged Council's to pursue increased amounts of funding through the level of non-domestic rates and New Homes Bonus 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. A further initiative to generate funds, the Asset Investment Strategy, has been introduced with the Council actively looking for opportunities to invest in property outside its own borders purely with the objective of generating income.

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 23

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 24

The Balance Sheet shows the value at 31 March 2017 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 25

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 26

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 83

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
30th June 2017

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 2016/17, signed and dated by the responsible financial officer on behalf of the Council.

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.

The Chief Financial Officer's Responsibilities

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

In preparing this Statements of Accounts the Director of Finance and 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 Director of Finance and 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 2017 and its income and expenditure for the year ended on that date.

Nick Gray
Section 151 Officer and Deputy Chief Executive

Dated

GOVERNANCE STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL 2017

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. Governance issues relating to internal financial controls are particularly pertinent to the preparation and publication of the Statement of Accounts. Since 2002, the base requirement of the Code and its predecessor SORPs has been that authorities include a statement on the system of internal financial control (SIFC) with their Statement of Accounts. Authorities are required to acknowledge their responsibility for internal financial control, but not to provide a statement of the level of assurance actually provided by the authority's systems during the year.

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 (updated 2016).

I confirm that 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 2016/17

Signed ______________________________________ Date ________________

Chief Financial Officer, – Nick Gray, Deputy Chief Executive and s151 Officer

ANNUAL GOVERNANCE STATEMENT 2017

The Annual Governance Statement provides assurance to the community, service users, tax payers and other stakeholders that Mole Valley District Council has 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 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 is 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) and the 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 MVDC's 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. Section 3 of this statement describes the process and findings of MVDC's effectiveness review.

2. Governance Framework

In response to the changes to the CIPFA governance principles, the MVDC governance framework has been updated. It is structured in such a way as to show how as an organisation the governance processes and controls that currently exist address the requirements of the seven principles of good governance as defined in the 2016 guidance.

MVDC's governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled. It also includes the activities through which it 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, an 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. The Section 151 Officer, who is also the 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 (2016)*

- 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 commentary provided by the Monitoring 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 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 Authority is subject to a statutory annual External Audit which assesses whether the Council's Statement of Accounts represents a 'true and fair view' statement of its financial position and an opinion on whether the Council provides 'value for money'. The integrity of the Council's internal controls underpins both of these judgments.

3. Effectiveness Review

MVDC's annual effectiveness review of its governance structure is undertaken by scoring the organisation's governance arrangements from non-compliance to full compliance, using a checklist based on the principles of the *Delivering Good Governance in Local Government Framework 2016.* The findings of this gap analysis review are given below, taking each principle in turn.

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

The effectiveness review is informed by the work of 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, as relevant.

MVDC also takes into account and keeps a watching brief on relevant new legislation and external factors, such as Brexit. With regards to Brexit the principal sources of change are likely to be legal and financial, such as procurement and borrowing rules but at this stage of negotiations none of these are imminent.

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

(i) Behaving with integrity

There are mechanisms in place to ensure that Members and officers behave with integrity and act in the public interest. The Officers' Code of Conduct applies to all MVDC employees, agency workers, contractors and their staff whilst working for, or on behalf of, the Authority. The Code states that 'employees must perform their duties to the highest possible standards, with honesty, integrity and impartiality, and be accountable for their own actions'.

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. The Members' Code also includes rules on declaring interests. Members are canvassed annually to remind them to consider and confirm the status of their declarations of interests.

There is also a Members' Planning Code of Good Practice to assist Members as part of the planning process to 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.

A Members' seminar in June 2016 covered the Code of Conduct, Freedom of Information and Data Protection. Members were reminded that the Code of Conduct and the Council's arrangements for dealing with complaints under the Code, together with the Members' Planning Code of Good Practice, are set out under Part 5 of the Council's Constitution.

Arrangements for dealing with standards allegations under the Localism Act 2011 are detailed in the Constitution. These arrangements set out how someone may make a complaint that an elected or co-opted Member of Mole Valley District Council or any Parish Council within Mole Valley has failed to comply with the authority's Code of Conduct, and explains how the authority will deal with allegations of a failure to comply with the authority's Code of Conduct.

MVDC has a set of organisational values: We Listen, We Respect, We Care, We Trust, We Lead, which were introduced in 2015/16. Work has taken place during 2016/17 to embed these values. This is to encourage employees to uphold ethical values, for example throughout MVDC's recruitment, induction, and personal development review processes.

(ii) Commitment to ethical values

The Standards Committee is responsible for promoting and maintaining a high standard of behaviour by Members and co-opted Members; the Protocol on Member/ Officer Relations further enhances this; and the Respect at Work Policy lays down standards of behaviour expected of all employees.

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

The Procurement Policy, which was approved by the Executive in July 2016, includes a section on conduct and standards of probity and accountability. The Contract Standing Orders section of the MVDC Constitution highlights the relevant statutory provisions that must be adhered to. MVDC has the right to cancel a contract if a contractor is found to have committed any offence under the Bribery Act.

During 2016/17 the Human Resources and Organisational Development team produced new forms and supporting guidance for performance and development reviews. These documents now include specific reference to MVDC's organisational values. Guidance has also been provided to Business Managers on how to assess job candidates' compatibility with MVDC's values during the recruitment process.

The Customer Charter was reviewed in 2016/17 and has been re-branded as the Customer Promise. It sets out what can be expected of MVDC by its customers and vice versa, using the organisational values as its framework.

Local Authority procurement is at risk of infiltration from serious and organised crime and organised crime groups could be benefitting from public sector contracts. A Single Point of Contact has been appointed at MVDC in relation to serious and organised crime.

Action Plan point (see end of document)

Work is planned for 2017/18 to undertake a self-assessment using the Home Office Serious and Organised Crime Procurement Checklist and develop an improvement plan if required.

(iii) Respecting the rule of law

The revised Anti-Fraud and Anti-Corruption Policy sets out MVDC's determination that the culture of the organisation is one of honesty and opposition to fraud and corruption. Members and employees were consulted on the policy during 2015/16; it was discussed by Audit Committee in June 2016 and approved by the Executive in July 2016. The Council's Members and employees are an important element in the stance on fraud and corruption and they are positively encouraged and expected to raise any concerns that they may have on these issues, as described in the Whistleblowing Policy, which was revised in October 2016.

The *Local Authorities (Functions and Responsibilities) England) Regulations 2000* (as amended) require that certain parts of the structure of the Council must be responsible for certain decisions - these are set out in the MVDC Constitution. Member roles and duties, including legal responsibilities, are also outlined in the Constitution, which enables residents to recognise what they can expect from their community leaders. The functions of statutory officers and other key posts can also be found in the Constitution.

Legal implications are included in all committee reports. The Monitoring Officer's role includes reporting to the Council, or to the Executive in relation to an executive function, if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision has given rise to maladministration. This ensures that all decisions that are made are lawful.

Equality Impact Assessments are undertaken by officers 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 MVDC upholds equalities legislation.

Principle B: Ensuring openness and comprehensive stakeholder engagement

(i) Openness

Data is published on the website in accordance with statutory and other requirements, including those relating to the Transparency Code, Council Tax Leaflets and Freedom of Information. MVDC's Freedom of Information Publication Scheme and a Guide to Information were updated in April 2017.

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 the MVDC website. Members of the public also have the ability to view council meetings live via webcast, in addition to recordings of past meetings which can be accessed from an online archive system.

(ii) Engagement with institutional stakeholders (organisations)

MVDC has a strong commitment to partnership working, with many informal and formal relationships, including with neighbouring authorities and local businesses and agencies, that allow for resources to be used more efficiently and outcomes achieved more effectively. MVDC works closely with its partners in neighbourhood forums, Parish Councils and other districts and boroughs. An example of this is MVDC's engagement with Surrey County Council on matters such as parking and highway management and maintenance.

Opportunities for shared services and other partnership arrangements are actively pursued; most recently this includes a joint Building Control service, a joint Environmental Health service, and a joint Waste Contract.

(iii) Engagement with individual citizens and service users

MVDC undertakes consultation exercises to help inform decisions. A recent example of a major consultation is the six-week Transform Leatherhead consultation undertaken to support future stages of the regeneration of Leatherhead. Another example is Meadowbank playground which was designed in consultation with local residents and young people. A range of engagement methods is used, including focus groups, social media (MVDC has over 5,000 Twitter followers), online surveys, and awareness raising campaigns to communicate with individual citizens and service users.

During 2016/17 three services (Customer Services Unit, Planning Policy and Environmental Services) were awarded the Customer Service Excellence Standard. A particular strength of all three services was the identification of customer groups and the characteristics of each. Following the assessment MVDC was found to have a deep understanding of, and commitment to customer service excellence. The commitment was displayed from senior management levels through to operations and front line staff.

MVDC values comments and ideas from customers which help the authority to improve the services it offers. A new page has been added to the website called 'You Said, We Did' which invites customer feedback. There is an online feedback form and there is a phone number to call. There is also a paper form which can be filled in by hand and given into reception staff. The webpage gives examples of the changes that have been made to the way things are done as a result of feedback from service users. One example is MVDC's response to the suggestion for WiFi to be made available in the Pippbrook reception area. MVDC now offers free WiFi so that individuals can access services on their mobile or tablet while they are at the Pippbrook offices.

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

(i) Defining outcomes

MVDC's Corporate Strategy 2015-19, a four-year strategy containing MVDC's vision, values, guiding principles and priority outcomes, is used as the basis for corporate and service planning. The stated vision is: 'A place where people want to live, work, do business and spend their leisure time'. A refreshed version of the Corporate Strategy was approved by Council in February 2017, ensuring that the priorities contained within it remain timely and relevant.

A Mole Valley Rural Community Strategy was adopted by MVDC following the Executive meeting in February 2017.

Progress on delivering the priorities is reported in regular Business and Budget Monitoring Reports to the Executive. These reports provide the Executive with progress made so far to deliver on priorities, and provide the financial context. They highlight areas of good performance and, where performance has fallen below the target set, outlining the reasons and the actions taken in response.

(ii) Sustainable benefits

MVDC's 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 the 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.

Consideration of the economic, social and environmental impacts is embedded in the decision making processes, for example the committee report template includes sections on financial implications and sustainability. MVDC's procurement process requires attention to be given to the extent to which the economic, social and environmental well-being of the District will be impacted.

Action Plan point (see end of document)
During 2017/18 a new approach will be developed for putting forward and approving major capital schemes; this will include consideration of economic, social and environmental impacts.

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

(i) Determining interventions

The rationale for a particular option being put forward to the Executive is contained in the relevant report. This may involve improving, changing or stopping a service. 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.

The Project Management Handbook, which was refreshed in 2016/17, includes guidance on developing a business case which gives the rationale for projects (including a description of benefits versus costs, risks and time).

(ii) Planning interventions

MVDC has an established planning and control cycle covering strategic and operational plans, priorities and targets. The 2017/18 Budget and Council Tax Resolution report identified the key actions and projects that MVDC will deliver in 2017/18 to implement the Corporate Strategy. The report also provided analysis and key assumptions in formulating a budget for 2017/18 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 Service Plans.

An annual business and budget timetable provides dates and sign-off deadlines for monthly performance reporting. Regular Business and Budget Monitoring Reports give progress updates on an annually agreed set of targets for a basket of performance indicators and key objectives / projects. The reports also highlight areas where corrective action is necessary.

Action Plan point (see end of document)
MVDC has a set of strategic plans and policies in place to support effective governance of its activities. A checklist is being put in place to ensure that these remain timely and relevant.

(iii) Optimising achievement of intended outcomes

In autumn 2016, a scene-setting report for business and budget planning 2017/18 updated the assumptions underpinning the medium term financial strategy which was approved in 2013. For example, the expected financial impact of the Joint Waste Contract is included in the medium term financial strategy. Financial planning takes into consideration any relevant service user consultation and feedback, as raised by business managers at budget meetings in the autumn which informed financial planning for 2017/18.

MVDC's Contract Standing Orders section of the Constitution sets out general principles which apply to all contracts, including compliance with all relevant statutory provisions such as the Public Services (Social Value) Act 2012. The Procurement Policy and Principles reiterate this by stating that consideration needs to be given to how what is proposed to be procured might improve the economic, social and environmental well-being of the District; and, in conducting the process of procurement, how it might act with a view to securing that improvement.

The MVDC Community Asset Transfer Policy balances the needs of local communities with the wider expectations of the District as a whole. This ensures that the Council uses it assets effectively to support voluntary, community and faith groups.

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

(i) Developing capacity

Reviews of operations are undertaken from time to time to help maximise the capacity of the organisation. In particular, MVDC recognises the benefits of effective partnerships and collaborative working where added value can be achieved. The newest partnership arrangements include a shared Building Control service with Tandridge District Council and Reigate and Banstead Borough Council; a shared Environmental Health service with Tandridge District Council and a Joint Waste Contract, hosted by Surrey Heath Borough Council. These partnership working arrangements are governed by Inter-Authority Agreements. The Constitution sets out MVDC's approach to Joint Arrangements.

The aim of the Asset Investment Strategy, which was agreed by Council in October 2016, is to increase income for the Council through the creation of a £48.5m fund that will be used to purchase property investments that deliver a good rate of return for the Council. The decision to agree the Asset Investment Strategy included an amendment to the Constitution to reflect the creation of an Asset Investment Working Group, to advise officers on the property acquisitions in line with the strategy. The first purchase was made in April 2017.

During 2016/17 work was undertaken to develop MVDC's long term strategic approach to workforce planning, in line with its organisational purpose. A targeted approach to workforce planning has been put in place, working closely with the Senior Management Team to build capacity in services where there is most opportunity to benefit service delivery. This work will be built on in 2017/18 to develop a workforce programme arising from the enhanced Personal Development Review (PDR) process. This process now includes a regular assessment of service plans in the context of anticipated staffing or capacity issues that have arisen from the PDR. The assessment is conducted by Business Managers in partnership with the HR team and under the direction of the Senior Management Team.

(ii) Developing leadership capability

The capability of the leadership of the organisation is underpinned by a shared understanding of roles and objectives, with the Chief Executive and Leader of the Council having regular briefing meetings. The Chief Executive has an annual appraisal with the Group Leaders. Outline descriptions for these roles are set out in the Constitution. At the end of March 2017 the Chief Executive announced her departure so the opportunity has been taken to review the job description, and put in place a robust process with a view to appointing the successful candidate at the meeting of the Council on 11th July.

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

There is a culture of promoting career development opportunities, secondments and professional training for staff. For instance, senior manager vacancies at the end of 2016/17 have been filled on an interim basis through internal secondments. 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 provides access to a variety of e-learning courses. In addition, bespoke training events are held to meet new requirements, for example a seminar on taxation implications regarding the limited companies set up to deliver the Asset Investment Strategy, which took place in March 2017.

The Constitution specifies the types of decisions that are delegated and those that are reserved for collective decision making. Statements to this effect are set out in a scheme of delegation, standing orders and financial regulations.

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

(i) Managing risk

The approach to risk management, including roles and responsibilities, is set out in the Risk Management Policy. As stated in the policy, effective risk management is fundamental to the Council delivering the priorities set out within the Corporate Strategy. The Service Risk Register covers all services and these are reviewed with relevant business managers on a quarterly basis. Once risks have been identified, they are assessed 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. An escalation process ensures that significant risks i.e. those risks that remain high (red) after mitigation, are reported to the Statutory Responsibility Network, which is chaired by the Chief Executive.

The Strategic Risk Register contains risks that are not service or objective specific; they are areas of risk that cut across service and objective boundaries. Any potential opportunities that enhance and accelerate the achievement of corporate objectives are also included.

MVDC's strategic risks, which are subject to regular review and updated as appropriate, 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 have good health and safety arrangements in place
- Failure to protect our IT systems from being hacked
- Failure to provide resilience of ICT arrangements
- Failure to ensure personal data is secure and the right to privacy is protected
- Failure to have business continuity plans in place

All reports to committee include information on the risk implications of the decision being requested. The Senior Management Team is responsible for ensuring that Executive Members are briefed on risk. An annual report on MVDC's risk management arrangements is taken to Audit Committee to enable them to review the effectiveness of the Council's risk management policy and overall arrangements.

(ii) Managing performance

MVDC reports performance on the Corporate Strategy objectives and performance targets on a regular basis to the Strategic Management Team, Scrutiny Committee and to the Executive. Areas for development and appropriate actions for further improvement are identified. Performance targets are 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. Annual outturn reports review performance over the previous financial year and can be accessed, along with the latest Annual Report, on the performance page of the MVDC website.

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 committee can also review and scrutinise the performance of other public and private organisations, where they are contributing to helping the Council achieve its objectives.

(iii) Robust internal control

Risk update reports are presented to the Statutory Responsibilities Network every six weeks and an annual Risk Management update is presented to Audit Committee. The Risk Management Policy is reviewed at least every four years. A seminar on Risk Management was held for Members in February 2017 where a number of suggestions for enhancing risk management arrangements were put forward for the next refresh of the Risk Management Policy and inclusion in the Risk Management Annual Report for 2016/17.

Revised anti-fraud and anti-corruption policies were agreed by the Executive in July 2016 and comply with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. MVDC has a Fraud and Investigation team with a wide remit covering fraud activity across all service areas.

In addition to this Annual Governance Statement, other sources of assurance include the internal audit service. Internal Audit carries out 12-14 reviews a year over approximately 200 days. An external review of the Internal Audit service concluded that it had an excellent level of conformance with the professional standards of the Global Institute of Internal Auditors.

The Internal Auditors work closely with External Audit, to ensure that duplication is minimised and an appropriate range of assurance is obtained. The Internal Audit Plan includes core assurance audits including corporate governance and risk management plus various audits of the financial control framework. There were no actions arising from the Internal Audit of Corporate Governance for 2016/17, which concluded:

> 'The Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively'.

The terms of reference for the Audit Committee are set out in the Constitution and minutes of meetings record action points which are then followed up. At its meeting in September 2016, the Audit Committee approved the annual report on its own work plan and terms of reference. Building on the annual report, and recognising the changed membership of the Committee, a mapping exercise was undertaken to show the various planned streams of work against the terms of reference. This was produced in response to a request at the June meeting of the Audit Committee to provide clearer assurance that the Committee was discharging its functions effectively.

(iv) Managing data

The Data Protection Policy, guidance and procedure notes for employees are kept constantly up to date and periodical checks are carried out to ensure confidential data is being disposed of correctly. Preparations are underway to ensure MVDC is ready for changes arising from the new General Data Protection Regulation coming into force on 25 May 2018.

The Data Quality Policy and guidance notes for staff were refreshed in February 2015 and a programme of spot checks of performance data was undertaken in 2016/17 including Benefits, Environmental Health, Planning Support and Human Resources.

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

(v) Strong financial management

MVDC has a robust approach to financial management and strategic allocation of resources, which is essential for the achievement of intended outcomes. 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.

The Financial Services team supports the delivery of services and transformational change, as demonstrated by their integral involvement in the recent development of shared services for Environmental Health, Building Control and the Joint Waste Contract. Financial monitoring of these services will be covered in regular business and budget monitoring reports which go the Executive.

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

(i) Transparency

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

MVDC demonstrates good practice in transparency by ensuring that stakeholders have many different ways of getting involved in the planning of services. These include focus groups, social media, online surveys, and awareness raising campaigns. Plain English and language that is appropriate to the audience is used. Recently focus groups have been used to test out some communications campaigns.

(ii) Reporting

MVDC publishes its Annual Accounts and corresponding audit reports for the previous three years on the MVDC website. The MVDC Annual Report sets out what has been achieved over the last year and the Budget Book contains aims and objectives for the coming year plus individual Service Plans for all services; both of these are published on the website. A Business and Budget Outturn Report is published 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.

The approach to service delivery is evolving and is recognised that the governance arrangements must keep pace with the range of partnerships and alternative delivery models that are being adopted. During 2016/17

MVDC entered into Inter Authority Agreements (IAA) to create a shared Building Control Service, and a shared Environmental Health Service. A Joint Partnership Board for each service is underpinned by the relevant IAA which sets out the delegation of functions and main terms of the partnership. Each IAA sets out how risks and liabilities will be shared across partners. They also set out how any disputes would be resolved, arrangements for termination and monitoring of performance. MVDC also signed an IAA for a Joint Waste Contract during 2016/17.

The MVDC Constitution has been updated to reflect the creation of companies owned in whole or in part by the Council pursuant to the Asset Investment Strategy. For example, the terms of reference for the remit of Scrutiny Committee have been updated to include the performance of these companies. The Constitution has also been updated to reflect arrangements surrounding the Joint Waste Contract.

Action Plan point (see end of document) Clear accountability and reporting is fundamental to the effective governance of alternative delivery models. These arrangements are being further developed and will be implemented during 2017/18.

(iii) Assurance and effective accountability

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. The report stated that 'there are no issues that we consider relevant for inclusion in the Council's Annual Governance Statement'. The Annual Audit Report for 2016/17 is due in June 2017.

Internal Audit progress reports are presented to each Audit Committee. These reports provide Members with a summary of completed audits and include identified actions and responsible officers. At the Committee in November 2016 Members requested officers share the full report of each audit in order to help Members understand matters better and avoid asking unnecessary questions; this has been actioned.

The External Auditors' Annual Audit Letter for 2015/16 was presented by the auditors Grant Thornton to Audit Committee in November 2016. The auditors issued an unqualified opinion of the 2015/2016 financial statements, confirming that they gave a true and fair view of the Council's financial position. The Auditors also issued an unqualified value for money conclusion stating that they were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of the resources for the year ending March 2016. The Committee noted the findings and commended the Financial Services Team for preparing the accounts to high standard with only a small number of adjustments required. The External Audit Letter for 2016/17 will be presented to Audit Committee in November 2017.

4. Progress Report on 2016/17 Action Plan

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

2016/17 Action	**Progress**
(i) Devise and put in place a contract and contractor management toolkit	A toolkit has been developed and is being rolled out. The new guidance will help ensure that contractors follow MVDC's ethical values, policies and procedures (including sections on health and safety, equalities, data protection, anti-fraud and corruption and freedom of information).
(ii) Produce an officers' guide to procurement rules	The procurement section on the intranet has been updated to highlight contract standing orders and a new 'quick guide' to tendering. Other quick guides for officers are in production, including a guide to writing specifications. The aim is to raise awareness of procurement rules within the organisation and better equip those responsible for managing contracts, enabling them to achieve service improvements, value for money and efficiencies where

	possible. The section on the MVDC website on Tendering for Work at MVDC has also been updated.
(iii) Review strategy and processes for embedding organisational values	The embedding of the organisation's values will ensure that recruitment, induction, and personal development processes encourage employees to uphold ethical values. New initiatives include: • The induction day for new staff now includes a promotional video on the organisation's values • The person specification template has been re-drafted to include a section on demonstrating a commitment to the values • Personal development review (appraisal) forms have been re-designed to include an assessment of individuals putting the values into practice • A new 'Customer Promise' incorporates the values • Guidance has been given to managers on how to assess job candidates' compatibility with MVDC's values during the recruitment process.
(iv) Establish the principles and scope for a new Workforce Plan	A targeted approach to workforce planning has been put in place, working closely with the Senior Management Team to build capacity in services where there is most opportunity to benefit service delivery. This work will be built on in 2017/18.

5. Action Plan 2017/18

Arising from the effectiveness review of MVDC's internal control and corporate governance arrangements (as described in Section 3), the following areas have been identified for specific focus in 2017/18.

Action 2017/18	**Governance principle reference**	**Comment**
Undertake a self-assessment using the Home Office Serious and Organised Crime Procurement Checklist, and develop an improvement plan *Policy and Performance Team November 2017*	*(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*	The checklist will provide a high level overview of the serious and organised crime risks that relate to MVDC's approach to procurement and help to identify any improvements that need to be made to existing procedures
Develop criteria for approvals of major (>£50k) capital schemes *Financial Services Team September 2017*	*(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits*	A new process is required for developing bids for, and approving, capital projects. This will update the criteria for approving projects as currently set out in the Medium Term Financial Plan. It will reflect the Council's latest situation, differentiating between asset investment through the wholly-owned company for income generation and investment in line with local corporate priorities. It will be framed by the Council's borrowing limits. A further benefit of developing a new

		process for major capital schemes will be consideration of the economic, social and environmental impacts of MVDC's capital programme
Establish a rolling programme for reviewing and updating strategic plans and policies *Policy and Performance Team September 2017*	(D) *Determining the interventions necessary to optimise the achievement of the intended outcomes*	MVDC has a set of strategic plans and policies in place to support effective governance of its activities – a programme is being put in place to ensure that these remain timely and relevant
Confirm and implement governance arrangements for alternative delivery models (e.g. shared services and realising income potential from property investment) *Policy and Performance Team December 2017*	*(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability*	Arrangements between the separate organisations involved need to actively manage and scrutinise service and strategic risk – the risks related to these operations will be documented, reported and monitored

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 the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 Restated					2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross income £'000	Net Expenditure £'000
6,362	(2,309)	4,053	Environment	7	7,310	(2,308)	5,002
4,505	(3,199)	1,306	Wellbeing	7	4,455	(3,050)	1,405
27,025	(24,029)	2,996	Communities services & housing	7	24,481	(23,456)	1,025
2,541	(3,446)	(905)	Property Parking & econ devt	7	7,631	(4,304)	3,327
2,247	(1,391)	856	Planning	7	3,023	(1,165)	1,858
5,246	(247)	4,999	Finance & Investments	7	4,568	(987)	3,581
47,926	**(34,621)**	**13,305**	**Cost Of Services**		**51,467**	**(35,270)**	**16,198**
193	(1,200)	(1,007)	Other Operating Expenditure	11	247	(1,553)	(1,306)
626	(3,374)	(2,748)	Financing of Investment Income & Expenditure	12	2,315	(2,804)	(489)
0	(6,587)	(6,587)	Council Tax	13	0	(6,792)	(6,792)
12,840	(15,752)	(2,912)	NNDR Income & Expenditure	13	15,005	(16,094)	(1,089)
0	(4,494)	(4,494)	Other Taxation and Non Specific Grant Income	13	0	(3,467)	(3,467)
61,585	**(66,028)**	**(4,443)**	**(Surplus) or Deficit on Provision of Services**		**69,035**	**(65,980)**	**3,055**
2,451	(8,201)	(5,750)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	25	1,699	(7,174)	(5,474)
0	(341)	(341)	(Surplus) or deficit on revaluation of Available for Sale Financial assets	25	95	0	95
0	(8,301)	(8,301)	Actuarial (gains) / losses on pension assets / liabilities	36	5,474	0	5,474
2,451	**(16,843)**	**(14,392)**	**Other Comprehensive Income and Expenditure**		**7,268**	**(7,174)**	**95**
64,037	**(82,871)**	**(18,835)**	**Total Comprehensive Income and Expenditure**		**76,304**	**(73,154)**	**3,150**

FS2 - Balance Sheet 2016/17

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the entity. 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 and funding basis under regulations'.

2015/16 31 March 2016 £'000		Note	2016/17 31 March 2016 £'000
	Non-Current Assets		
92,664	Property, Plant & Equipment	14	99,899
961	Heritage Assets	15	1,410
27,518	Investment Property (including Assets Held for Sale)	16	35,298
231	Intangible Assets	17	164
6,023	Long Term Investments	18	5,929
786	Long Term Debtors	18	244
128,183	**Long Term Assets**		**142,944**
8,500	Short Term Investments	18	10,000
48	Inventories	-	45
7,950	Short Term Debtors	19	6,254
6,790	Cash and Cash Equivalents	20	997
23,288	**Current Assets**		**17,296**
(7,147)	Short Term Creditors	22	(6,804)
(519)	Current Provisions	23	(1,562)
(434)	Grants Receipts in Advance-Revenue	32	(414)
(375)	Grants Receipts in Advance-Capital	32	(375)
(8,475)	**Current Liabilities**		**(9,155)**
(2,658)	Long Term Creditors	18	(1,719)
(30)	Non-current Provisions	23	(30)
(28,053)	Other Long Term Liabilities	36	(30,231)
0	Long Term Borrowing	18	(10,000)
(30,741)	**Long Term Liabilities**		**(41,980)**
112,255	**Net Assets**		**109,105**
(19,917)	Usable Reserves	FS3	(16,582)
(92,338)	Unusable Reserves	25	(92,523)
(112,255)	**Total Reserves**		**(109,105)**

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 2017.

Nick Gray, Chief Financial Officer,
Date: 29 June 2017

FS3 - Movement in Reserves Statement 2016/17

The Movement in Reserves Statement shows the movement from the start of the year to the end on 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 'Unusable Reserves'. This Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following

Movement in Reserves Statement 2015/16	Note	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2015		(12,924)	(7,197)	(666)	**(20,787)**	(72,633)	**(93,420)**
Movement in reserves during 2015/16							
Surplus or (deficit) on the provision of services		(4,443)	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	**(4,443)**	(14,392)	**(18,835)**
Adjustments between accounting basis & funding basis under regulations	7	2,693	3,153	(533)	**5,313**	(5,313)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	8	(1,750)	3,153	(533)	**870**	(19,705)	**(18,835)**
Transfers to/from Earmarked Reserves		0	0	0	**0**	0	**0**
Movement during 2015/16		**(1,750)**	**3,153**	**(533)**	**870**	**(19,705)**	**(18,835)**
Balance at 31 March 2016 carried forward		**(14,674)**	**(4,044)**	**(1,199)**	**(19,917)**	**(92,338)**	**(112,255)**
Movement in Reserves during 2016/17							
Surplus or (deficit) on provision of services		3,055	0	0	**3,055**	0	**3,055**
Other Comprehensive Income and Expenditure		95	0	0	**95**		**95**
Total Comprehensive Income and Expenditure		3,150	0	0	**3,150**	0	**3,150**
Adjustments between accounting basis & Funding basis under regulations	9	(1,402)	1,271	316	**185**	(185)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		1,748	1,271	316	**3,335**	(185)	**3,150**
Transfers to/from Earmarked Reserves	10	0	0	0	**0**		**0**
Increase/Decrease in Year 2016/17		1,748	1,271	316	**3,335**	(185)	**3,150**
Balance at 31 March 2017 carried forward		**(12,926)**	**(2,773)**	**(883)**	**(16,582)**	**(92,523)**	**(109,105)**

FS4 - Cash-Flow Statement 2016/17

The Cash Flow Statement shows the change in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which 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.

2015/2016 £'000		Note	2016/2017 £'000
(4,443)	**Net (Surplus)/Deficit on the Provision of Services**		**3,055**
4,137	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	(4,102)
(642)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	2,922
(948)	**Net cash flows from Operating Activities**	**25**	**1,875**
(887)	**Investing Activities**	26	13,520
80	**Financing Activities**	27	(9,602)
(1,755)	**Net (increase)/decrease in Cash and Cash Equivalents**		**5,793**
5,035	Cash and Cash Equivalents at the beginning of the reporting period		6,790
6,790	**Cash and Cash Equivalents at the end of the reporting period**	**20**	**997**

Note 1 – Statement of Accounting Policies

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 (The Code) supported by EU Adopted 'International Financial Reporting Standards' (IFRS) and statutory guidance issued under section 21 (2) of the Local Government Act 2003. Sections 3 and 20 of the Local Audit and Accountability Act 2014 establishes the Audit of the Accounts undertaken in accordance with the Statutory framework. Other codes of practice such as the Prudential Code still apply.

The statutory override is to ensure that the Statement of Accounts for the Authority give a true and fair view of the financial position, financial performance and cash flows of the Authority including the Group Financial statements where applicable.

Following the changes introduced by the 2016/17 Code to reflect the 'Telling the Story Review of the Presentation of Local Authority Financial Statements', the Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. However the total cost model still applies in apportionment of overheads and particularly in the case of corporate and democratic costs, support service recharges should follow SeRCOP where costs have not already been included in the Authorities' operating segments for monthly management reporting.

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

1.1 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
- 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.

1.3 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 method, in accordance with IFRS 13 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.
- Dividends or equivalent should be recognised where the Authority's right to receive is established.
- 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. During 2016/17 the following accounting policies were amended:

5. Interests in Companies and Other Entities – change in accounting policy

The Authority has 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. Additionally, the individual group accounting policies are at the end of this statement.

6. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangements. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of the joint operators. Environmental Health is a shared service with Tandridge District Council and Mole Valley is the lead Authority for this service. Additionally, our Building Control Shared Service Partnership will be administered by the joint operator 'Tandridge District Council'. Recognition is as follows:-

- Its assets and liabilities held jointly in its share
- Its revenue from the sale of its share of the output arising from the joint operation will be as per the agreed shares between the joint authorities
- Its expenses including its share incurred jointly as per agreed

7. Charges to Revenue for Non-current Assets and Minimum Revenue Provision (MRP)

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

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

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

8 Employee Benefits

8.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled 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.

8.2 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.

8.3 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 next triennial valuation is due 1 April 2017.

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.

8.4 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.

9 Events After the Reporting Period

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

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

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

10 Financial Instruments

Fair Value measurement - 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.

10.1 Financial Liabilities

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

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

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

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

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

10.2 Financial Assets

Financial assets 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.

10.2.1 Loans and Receivables

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

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

However, the Authority has made a number of loans to voluntary organisations and individuals at less than market rates (soft loans). When soft loans are made, 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.

10.2.2 Available for Sale Assets (Financial Instruments)

Available for Sale Assets are recognised on the Balance Sheet and measured at fair value. Dividends are recognised in the Comprehensive Income and Expenditure Statement within the Financing Investment Income and Expenditure category as incurred. An Available for Sale Reserve shows the accumulation of gains and losses for the year in respect of the number of units held multiplied by its published 'bid' selling price. Inputs to this measurement technique will be categorised in accordance with the 3 levels as follows:

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

11 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.

12 Government Grants and Contributions (change in accounting policies)

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.

12.1 Business Improvement Districts (New accounting policy to be adopted from 2017/18)

A Business Improvement District (BID) scheme applies across the whole of the Authority. The scheme is funded by a BID Levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income and expenditure, including contributions to the BID project, within the relevant services in the Comprehensive Income and Expenditure Statement.

12.2 Community Infrastructure Levy (New Accounting policy)

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The levy income will be used to fund a number of infrastructure projects to support the development of the area. CIL received is limited by regulations. It is therefore recognised at the commencement date of the development in the Comprehensive Income and Expenditure Statement in accordance with the above core accounting policy for grants and contributions. CIL charges will be largely to fund capital expenditure with a small proportion used to fund revenue. For large developments there is a stage payment schedule available. An annual statement of CIL income and expenditure will be produced.

13 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 2016/17 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.

14 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.
Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or

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

15 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

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 will demonstrate the Investment Property's highest and best use category (as per the inputs in policy 10.2.2).

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 (Accounting for 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.

18 Overheads and Support Services (Change in Accounting Policy)

The costs of overheads and support services are charged to reporting service segments in accordance with the authority's arrangements for accountability and financial performance.

19 Property, Plant and Equipment

In accordance with the 2016/17 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 which is measured at fair value in accordance with IFRS 13. 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.

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 1st 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 or as appropriate to the relevant asset.

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 (Amended policy)

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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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 shared 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 year's 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 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. The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code (relevant to the paragraph as stated above) are:

- **Reporting Pension Fund** – New reporting in relation to pension fund scheme transaction costs.
- **Investments** – Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code

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:

Building Control Shared service /Joint Waste and Street Cleansing contract:

The Building Control joint shared services contract commences on the 1st February 2017 but due to the transition period and development work to be undertaken, income will be administered by Mole Valley DC until the 1st April 2017 in order to resolve IT solutions for the shared service. Tandridge will host the partnership arrangement. The East Surrey Building Control shared service involves Reigate and Banstead Borough Council (RBBC), Tandridge District Council (TDC) and Mole Valley DC (MVDC). Following an initial base year as a shared service the creation of a separate legal entity may be appropriate in order to enable the service to be more commercial.

The Joint waste Collection contract commences on the 5th August 2018 and 1st April 2019 for Street Cleansing having been agreed at the Executive's key decision meeting on the 25th October 2016. This will form part of an Inter Authority Agreement (IAA) between Elmbridge BC, Surrey Heath BC and Woking BC and SCC in its capacity as the waste disposal authority (WDA).

MOVA Holdings Ltd and MOVA Property Ltd – wholly owned subsidiaries of the Authority

The Asset investment Strategy was approved at a meeting of the Scrutiny Committee on the 11 October 2016 to approve an additional investment of £48m to the Capital Programme for the purchase of investment assets. Two limited companies have been set up to enable the Authority to engage in commercial activity in the near future. An Asset investment group has been set up to facilitate the Strategy. The investments will be funded through borrowing from the Public Works Loan Board primarily. There have been no assets purchased during this financial period due to finalising litigation which took place early into the new financial year 2017/18. Please see Note 6 'Events after the Balance Sheet' on Page 43 for more information.

Dorking Town Centre Business improvement District (BID)

The Dorking Town Partnership (DTP) considered a proposal to establish a Business Improvement District. A key decision to go ahead with the scheme and was actioned further to a report to Scrutiny Committee on the 7th February 2017.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows. Where uncertainties occur within the comparative year this will be stated.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant & Equipment	There were uncertainties surrounding the valuations of Pippbrook House which has fluctuated in value over the past few years. This property was sub-let to Surrey County Council for part of the year and now remains empty. The property has been revalued from £1.3m to £0.069m.	This property has been downward revalued by £1.275m and its current use is basement storage. There is approximately £5m works required to bring the property back to full use.
Valuation of componentised assets/Property Plant & Equipment (PPE)	All of our componentised assets were revalued this year. The civic offices increased to £7.9m from £3.9m	The main increase in valuations amounted to approximately £4m due to significant refurbishment of the Pippbrook civic offices

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 £21.2m supported by approximately 99% of Government grants.

Note 6 – Events after the Balance Sheet Date

After preparing the Statement of Accounts for 2016/17 and after the Balance Sheet date of the 31st March 2017, a transaction took place to acquire an Asset for the purchase of a freehold investment property, one of which will form part of the Authority's new portfolio of investment properties within the Asset Investment Strategy.

This will contribute towards the provision of additional rental income streams in a changing public sector environment and is one of many future investments to provide long term stability for Mole Valley District Council. However, as part of that Strategy the Council has set up two wholly owned limited companies as a vehicle for running those investment properties which are 'MOVA Holdings Limited' and its subsidiary company 'MOVA Properties Limited'. The funding for the purchase is outlined in the Council's long term borrowing strategy within the Treasury Management Strategy.

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. The General Fund includes earmarked reserves as shown in Note 10 on page 50.

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 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2015/16					2016/17	
Net Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the CIES £'000	Operating Segments	Note	Net Expenditure chargeable to the General Fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in the CIES £'000
3,677	376	4,053	Environment	FS1	4,783	219	5,002
(96)	1,402	1,306	Wellbeing	FS1	734	671	1,405
1,679	1,317	2,996	Communities Services & Housing	FS1	903	122	1,025
(1,826)	921	(905)	Property Parking & Econ Devt.	FS1	206	3,121	3,327
666	190	856	Planning	FS1	1,495	363	1,858
4,527	472	4,999	Finance & Investments	FS1	3,573	8	3,581
8,627	**4,678**	**13,305**	**Net Cost Of Services**		**11,694**	**4,504**	**16,198**
(15,763)	(1,985)	(17,748)	Other Income and Expenditure	11	(10,387)	(2,756)	(13,143)
(7,136)	**2,693**	**(4,443)**	**(Surplus) or Deficit**		**1,307**	**1,748**	**3,055**
(12,924)	0	0	Opening balance General Fund		(14,674)	0	0
(1,750)	0	0	Less Surplus or deficit on General Fund 'in Year'	9	1,748	0	0
7,136	0	0	Less Surplus or deficit on General Fund before adjustments between accounting basis and funding basis		(1,307)	0	0
(14,674)			**Closing General Fund 31 March**		**(12,926)**		

Note 7.1 : Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts 2016/17	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
				0
Environment	203	(50)	0	153
Wellbeing	622	(60)	2	564
Communities, services and housing	113	(71)	5	47
Property, Parking and Economic Development	3271	(88)	10	3193
Planning	336	(82)	2	256
Finance and Investments	7	(65)	5	-53
Net Cost of Services	**4,552**	**(416)**	**24**	**4,160**
Other Income and expenditure from the Expenditure & Funding Analysis	(3,135)	(2,880)	1,670	(4,345)
Difference between General Fund Surplus or Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**1,417**	**(3,296)**	**1,694**	**(185)**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts 2015/16	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Environment	503	100	0	603
Wellbeing	586	148	8	742
Communities, services and housing	2,017	156	5	2,178
Property, Parking and Economic Development	(895)	156	(5)	(744)
Planning	5	210	(2)	213
Finance and Investments	173	353	(2)	524
Net Cost of Services	**2,389**	**1,123**	**4**	**3,516**
Other Income and expenditure from the Expenditure & Funding Analysis	(5,456)	116	(869)	(6,209)
Difference between General Fund Surplus or Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**(3,067)**	**1,239**	**(865)**	**(2,693)**

Note 1 - Adjustments for Capital Purposes
Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 - Net Change for the Pensions Adjustments
Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:
For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Note 3 - Other Differences
Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 7.2 : Segmental Income - Note 2 to the Expenditure and Funding Analysis

Income received according to the Authority's operating segments are analysed as follows:

Services	Income from Services 2015/16 £'000	Income from Services 2016/17 £'000
Environment	2,309	2,308
Wellbeing	3,199	3,050
Communities, services and housing	24,029	23,456
Property, Parking and Economic Development	3,446	4,304
Planning	1,391	1,165
Finance and Investments	247	988
Total Income analysed on operating segments	**34,621**	**35,271**

Note 8 : Expenditure and Income Analysed by Nature

	31 March 2016 £'000	31 March 2017 £'000
Expenditure		
Employee Benefit expenses	6,032	6,699
Other service expenses	33,314	38,062
Support service recharges	6,777	5,802
Depreciation, amortisation & REFCUS (Revenue funded as capital under statute	2,371	3,524
Interest payments	526	164
Precepts and levies	193	325
Revaluation losses	(468)	1,028
NNDR payments	12,840	13,431
Total Expenditure	**61,585**	**69,035**
Income		
Fees, charges and other service income	(12,010)	(16,672)
Interest and investment income	(3,374)	(378)
Income from council tax, non-domestic rates, district rate income	(22,339)	(21,234)
Gain or loss on disposal of assets	(842)	(1,553)
Other income non specific grants	(5,024)	(3,857)
Government grants and contributions	(22,439)	(22,286)
Total Income	**(66,028)**	**(65,980)**
Surplus or Deficit on the Provision of Services	**(4,443)**	**3,055**

Note 9: Adjustments between Accounting and Funding Basis Under Regulation (Please note that the General Fund includes earmarked reserves as in Note 10) 2016/17

	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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	2,083	0	0	(2,083)
Revaluation losses on Property Plant and equipment	1,722	0	0	(1,722)
Movements in the Fair Value of Investment Properties	778	0	0	(778)
Amortisation of Intangible assets	64	0	0	(64)
Revenue expenditure funded from capital under statute	1,377	0	0	(1,377)
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	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		0	0	0
Statutory Provision for financing of Capital investment (MRP)	(89)	0	0	89
Capital Grant and contributions unapplied Account:		0	0	0
Application of Capital Grants & Contributions to capital financing transferred to the CAA	(1,976)	0	(316)	2,292
Capital Grants and Contributions unapplied credited to the CIES	315	0	0	(315)
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	(1,274)	1,496	0	(222)
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,767)	0	2,767
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	4	0	0	(4)
Adjustment primarily involving the Financial Instruments Adjustment Account:				0
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	0	0	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)	2,807	0	0	(2,807)
Employer's pensions contributions and direct payments to pensioners payable in the year	(6,103)	0	0	6,103
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	15	0	0	(15)
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	1,652	0	0	(1,652)
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	22	0	0	(22)
Total 2016/17	**1,402**	**(1,271)**	**(316)**	**185**

Prior Year Comparator (Restated)

Note 9: Adjustments between Accounting and Funding Basis (Please note that the General Fund includes earmarked reserves as shown in Note 10)	Usable Reserves			
2015/16 Comparative	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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	0	0	(2,969)
Revaluation losses on Property Plant and equipment	(1,463)	0	0	1,463
Movements in the Fair Value of Investment Properties	(1,268)	0	0	1,268
Amortisation of Intangible assets	62	0	0	(62)
Revenue expenditure funded from capital under statute	821	0	0	(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	0	0	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)	0	0	164
Capital Grant and contributions unapplied Account:		0	0	0
Application of Capital Grants & Contributions to capital financing transferred to the CAA	(155)	0	(2,183)	2,338
Capital Grants and Contributions unapplied credited to the CIES	(2,716)	0	2,716	0
Transfer in respect of Community Infrastructure levy receipts		0	0	0
Adjustments involving the Capital Receipts Reserve:		0	0	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	0	67
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(4,286)	0	4,286
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	50	0	0	(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	0	0	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	0	0	(3,099)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,861)	0	0	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	0	0	(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)	0	0	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	0	0	(5)
Total Adjustments 2015/16	**(2,693)**	**(3,153)**	**533**	**5,313**

Note 10 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 2016/17.

	Balance at 31 March 2015 £'000	Transfers In 2015/2016 £'000	Transfers Out 2015/2016 £'000	Balance at 31 March 2016 £'000	Transfers In 2016/2017 £'000	Transfers Out 2016/2017 £'000	Balance at 31 March 2017 £'000
Benefits Administration	145	0	0	145	0	0	145
Homelessness Initiatives	112	0	0	112	0	(24)	88
Housing Act Advances	31	1	0	32	1	0	33
Insurance Fund	323	0	0	323	0	0	323
Minor Works Fund	5,145	491	0	5,636	119	0	5,755
New Homes Bonus	102	85	0	187	0	0	187
Pension Shortfall	305	99	0	404	0	0	404
Pippbrook House Dilapidations	325	0	0	325	0	0	325
Planning Tariff	1,614	1,496	(1,090)	2,020	549	0	2,569
Property Initiatives	200	0	0	200	0	0	200
Subsidence	238	0	(238)	0	0	0	0
Total	**8,540**	**2,172**	**(1,328)**	**9,384**	**669**	**(24)**	**10,029**

Note 11. Other Operating Expenditure

Other operating expenditure reported includes all levies payable (none for 2016/17), 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.

	2015/16 £'000	2016/17 £'000
Parish council precepts	193	247
(Gains)/losses on the disposal of non current assets	(842)	(1,424)
Other (VAT Shelter)	(358)	(129)
Total	**(1,007)**	**(1,306)**

Note 12. Financing and Investment Income and Expenditure

	2015/16 £'000	2016/17 £'000
Interest payable and similar charges	128	159
Pension Fund - Net interest on the net defined liability (asset)	1,126	908
Interest receivable and similar income	(513)	(381)
Other Movement in fair value of property credited to the CIES	(1,026)	0
Income and expenditure in relation to investment properties and changes in their fair value	(2,463)	(1,175)
Total	**(2,748)**	**(489)**

Note 13. Other Operating Expenditure

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.

	2015/16 £'000	2016/17 £'000
Council Tax Income	(6,587)	(6,792)
Business Rate Retention scheme	(2,912)	(1,089)
Revenue Support Grant	(903)	(274)
Non-ring fenced government grants	(1,224)	(1,824)
Capital Grants and Contributions	(2,367)	(1,369)
Total	**(13,993)**	**(11,348)**

	2015/16 £'000	2016/17 £'000
Total Billing NNDR	(40,662)	(35,000)
Half of Small Business Rate Relief	(960)	(1,091)
Discretionary reliefs funded Section 31 Grant	(545)	(12)
Subtotal	**(41,622)**	**(36,091)**
Authority Share at 40%	(16,867)	(14,442)
Less Tariff paid to Central Government (DCLG)	13,320	13,431
Total Retained Income	**(3,547)**	**(1,011)**
Additional Section 31 grants prior year	0	0
Less Pool Levy due to SCC	635	(78)
Total	**(2,912)**	**(1,089)**

Note 14.1 - Property Plant & Equipment (PPE) Movements on Balances

Movements in 2016/17	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 2016	**118,448**	**12,424**	**429**	**3,708**	**0**	**0**	**135,009**
Restatement full depreciation accounting	**(30,148)**	**(4,176)**	**12**	**(471)**	**0**	**0**	**(34,783)**
Revised Cost 1 April 2016	**88,300**	**8,248**	**441**	**3,237**	**0**	**0**	**100,226**
Additions	4,974	738	27	0	0	1,563	**7,302**
Donations	0	0	0	0	0	0	**0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,917	0	0	0	0	0	**3,917**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,217)	0	0	0	0	0	**(2,217)**
Derecognition - Disposals	0	(5)	0	0	0	0	**(5)**
Derecognition - Other	(1,274)	0	0	0	0	0	**(1,274)**
Assets reclassified	0	0	0	0	0	0	**0**
Other movements in cost or valuation	(83)	8	0	0	0	0	**(75)**
At 31 March 2017	**93,617**	**8,989**	**468**	**3,237**	**0**	**1,563**	**107,874**
Accumulated Depreciation and Impairment							
At 1 April 2016	**30,611**	**11,063**	**199**	**471**	**0**	**0**	**42,344**
Restatement full depreciation accounting	**(30,148)**	**(4,176)**	**12**	**(471)**	**0**	**0**	**(34,783)**
Revised Cost 1 April 2016	**463**	**6,887**	**211**	**0**	**0**	**0**	**7,561**
Depreciation charge	1,490	509	17	0	0	0	**2,016**
Depreciation written out to the Revaluation Reserve	(1,037)	0	0	0	0	0	**(1,037)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(495)	0	0	0	0	0	**(495)**
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	(70)	0	0	0	0	0	**(70)**
Other movements in Depreciation and Impairment	0	0	0	0	0	0	**0**
At 31 March 2017	**351**	**7,396**	**228**	**0**	**0**	**0**	**7,975**
Net Book Value							
At 31 March 2017 Net Book Value	**93,266**	**1,593**	**240**	**3,237**	**0**	**1,563**	**99,899**
At 31 March 2016 Net Book Value	**87,837**	**1,361**	**230**	**3,237**	**0**	**0**	**92,665**

Prior Year Comparators 2015/16 Restated	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**
Restatement full depreciation accounting	**(27,072)**	**(4,226)**	**0**	**(471)**	**0**		**(31,769)**
At 1 April 2015 Restated	**82,566**	**7,683**	**322**	**2,997**	**285**	**0**	**93,853**
Additions	1,471	364	12	236	34	0	**2,117**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,920	0	0	0	0	0	**3,920**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(748)	0	0	0	1,026	0	**278**
Derecognition - Disposals	0	0	0	0	0	0	**0**
Derecognition - Other	0	0	0	0	0	0	**0**
Assets reclassified	1,091	201	107	4	(1,345)	0	**58**
Other movements in cost or valuation	0	0	0	0	0	0	**0**
At 31 March 2016 Totals	88,300	8,248	441	3,237	0	0	100,226
Accumulated Depreciation and Impairment							
At 1 April 2015	**28,150**	**10,631**	**189**	**471**	**0**	**0**	**39,441**
Restatement full depreciation accounting	**(27,072)**	**(4,226)**	**0**	**(471)**			**(31,769)**
At 1 April 2015 Restated	**1,078**	**6,405**	**189**	**0**	**0**	**0**	**7,672**
Depreciation charge	2,464	432	10	0	0	0	**2,906**
Depreciation written out to the Revaluation Reserve	(1,724)	0	0	0	0	0	**(1,724)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,257)	0	0	0	0	0	**(1,257)**
Impairment losses/(reversals) recognised in the Revaluation Reserve	(36)	0	0	0	0	0	**(36)**
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	(62)	50	12	0	0	0	**0**
At 31 March 2016 Totals	463	6,887	211	0	0	0	7,561
At 31 March 2016 Net Book Value	87,837	1,361	230	3,237	0	0	92,664
At 31 March 2015 Net Book Value	81,488	1,278	133	2,997	285	0	86,181

Prior Year Comparators 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	**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 Totals	**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 Totals	**30,611**	**11,063**	**199**	**471**	**0**	**0**	**42,344**
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**

Note 14.1: PPE Movements on Balances (continued)

The Analysis in Note 14.1 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.
The Authority has restated this note to comply fully with the Code, as it had not in prior years reflected the correct treatment of depreciation calculations.
The Authority's treatment of depreciation did not affect the net book value totals at the foot of Note 14, nor did it have any wider impact on the primary statements or other notes to the Statement of Accounts. Since the adjustment, the elimination of accumulated depreciation in Note 14.1 will be balanced by an equivalent reduction in the gross asset valuation.

Note 14.2: PPE Depreciation, Capital Commitments, Valuation Other Land and Buildings

Movements on Balances in 2016/17	Other Land & Buildings £,000	Total £,000
Carried at Historical Cost & measured in accordance with IAS 17		0
Valued at Fair value as at :		
31 March 2017	84,395	84,395
31 March 2016	8,871	8,871
31 March 2015	0	0
31 March 2014	0	0
31 March 2013	0	0
Total Cost or Valuation	**93,266**	**93,266**

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 16.2) . 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 15.1 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 2016	**91**	**232**	**411**	**734**
Additions	0	291	1	**292**
Depreciation	(2)	0	(63)	**(65)**
31 March 2016	**89**	**523**	**349**	**961**
Cost or Valuation				
1 April 2017	**89**	**523**	**349**	**961**
Additions	0	0	515	**515**
Depreciation	(2)	0	(64)	**(66)**
31 March 2017	**87**	**523**	**800**	**1410**

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 2016/17 included:	£'000
Deepdene Mausoleum	513

Note 15.2: 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 16.1: Investment Properties

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

	2015/16 £'000	2016/17 £'000
Rental income from investment property	1,867	2,508
Direct operating expenses arising from investment property	(672)	(555)
Net gain/(loss) on financing and investment in CIES	**1,195**	**1,953**

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.

	2015/16 £'000	2016/17 £'000
Balance at start of the year	22,860	27,518
Additions		
- Purchases	0	8,444
- Subsequent expenditure	3,447	33
Disposals	0	0
- Net gains / losses from the fair value adjustments	1,268	(778)
Transfers		
- to / from Property, Plant and Equipment	(57)	82
Other Changes		(1)
Balance at end of the year	**27,518**	**35,298**

Note 16.2: Fair Value Hierarchy of Investment Properties

IFRS Hierarchy Level 2016/17	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	35,298	15,477	19,821
3 - unobservable inputs for the asset	0	0	0
Balance at end of the year	**27,518**	**12,316**	**15,202**

IFRS Hierarchy Level 2015/16	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 17 : 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 £0.64m was charged to revenue in 2016/17.
The movement on Intangible Asset balances during the year is as follows:

	2015/16		2016/17	
	Other Assets £'000	Total £'000	Other Assets £'000	Total £'000
Balance at start of year:				
• Gross carrying amounts	1,283	1,283	1,300	1,300
• Accumulated amortisation	(1,007)	(1,007)	(1,069)	(1,069)
Net carrying amount at start of year	**276**	**276**	**231**	**231**
Additions:				
• Internal development	0	0	0	0
• Purchases	17	17	0	0
• Acquired through business combinations	0	0	0	0
Amortisation for the period	(62)	(62)	(64)	(64)
Other changes			(3)	(3)
Net carrying amount at end of year	231	231	164	164
Comprising:				
• Gross carrying amounts	1,300	1,300	1,336	1,336
• Accumulated amortisation	(1,069)	(1,069)	(1,172)	(1,172)
	231	**231**	**164**	**164**

Note 18.1 - Categories of Financial Instruments

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

	Note	Long-term 31 March 2016 £'000	Long-term 31 March 2017 £'000	Current 31 March 2016 £'000	Current 31 March 2017 £'000
Investments					
Loans and receivables	1	0		15,290	10,997
Available-for-Sale Financial Assets	2	6,023	5,929	4	3
Total investments		**6,023**	**5,929**	**15,294**	**11,000**
Debtors					
Loans and receivables		786	244	4,785	4,784
Total Debtors		**786**	**244**	**4,785**	**4,784**
Borrowings					
Financial liabilities at amortised cost			10,000	0	0
Financial liabilities at fair value through profit and loss			0	0	80
Total borrowings		**0**	**10,000**	**0**	**0**
Other Long-term Liabilities					
PFI and Finance Lease Liabilities		(2,658)	(1,719)	(164)	(89)
Total Other Long-Term Liabilities		**(2,658)**	**(1,719)**	**(164)**	**(89)**
Creditors					
Financial liabilities at amortised cost		0	0	(2,396)	(3,744)
Total Creditors		**0**	**0**	**(2,396)**	**(3,744)**
Soft Loans	3	(34)	(144)	0	0
Total Soft Loans		**(34)**	**(144)**	**0**	**0**

Note 1 - Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or loaned and further adjustments for breakage costs or stepped interest loans, measured by an effective interest rate calculation, including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.
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 18.2: Income, Expenses, Gains and Losses on Financial Instruments

	2015/16 Financial Assets			2016/17 Financial Liabilities			
	Loans & receivables £'000	Available for Sale Assets £'000	Total £'000	Loans & receivables £'000	Available for Sale Assets £'000	at Amortised Cost £'000	Total £'000
Interest income in surplus or deficit on the provision of services	185	328	513	68	313	0	381
Interest expense in surplus or deficit on the provision of services	0	0	0	0	0	(80)	(80)
Gain/(Loss) on revaluation	0	341	341	0	(94)	0	(94)
Net gain/(loss) for the year	**185**	**669**	**854**	**68**	**219**	**(80)**	**207**

Note 18.3: 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.

Note 18.3: Fair Values of Assets and Liabilities / cont…

Assets	31st March 2016 Carrying amount £'000	31st March 2016 Fair Value £'000	31st March 2017 Carrying amount £'000	31st March 2017 Fair Value £'000
Loans and receivables	15,290	15,290	10,997	10,997
Available for sale assets	6,023	6,023	5,929	5,929
Current Debtors	4,785	4,785	4,784	4,784
Long-term Debtors	787	787	244	244

Liabilities	31st March 2016 Carrying amount £'000	31st March 2016 Fair Value £'000	31st March 2017 Carrying amount £'000	31st March 2017 Fair Value £'000
Financial Liabilities	0	0	10,000	14,704
Current Creditors	2,396	2,396	3,744	3,744
Long-term Creditors	2,658	2,658	1,719	1,719

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.
For financial liabilities (PWLB debt) the fair value is higher than the carrying amount because the Council's loans portfolio includes a fixed rate loan where the interest rate payable is higher than the rate available for a similar loan at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the reduced interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates availble from the PWLB. If a value is calculated on this basis, the carrying amount of £10m would be valued at £11.2m. But if the Authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid for the reduced interest income that will be avoided. The exit price for the PWLB loans including the penalty charge would be £14.7m.
The rates quoted in this valuation were obtained by our treasury management advisors from the market on 31st March 2017.

Note 19 : Debtors

	31 March 2016 £'000	31 March 2017 £'000
Short Term Debtors		
Central Government bodies	2,541	1,707
Other Local Authorities	419	1,171
NHS Bodies	0	5
Public Corporations and Trading Funds	5,424	3,838
Other entities and individuals	(434)	(467)
Total Short Term Debtors	**7,950**	**6,254**

Note 20: Cash and Cash Equivalents

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

	31 March 2016 £'000	31 March 2017 £'000
Cash held by the Authority	5	5
Bank current accounts	57	(621)
Short-term deposits with building societies	6,728	1,613
Total Cash and Cash Equivalents	**6,790**	**997**

Note 21: Assets held for Sale (Current)

There were no non-financial Assets held for sale at the Balance Sheet date. Any Financial Instruments held for sale will be outlined in the Reserves Note 25 (Available for Sale Financial Instruments Reserve.

Note 22: Creditors

	31 March 2016 £'000	31 March 2017 £'000
Short Term Creditors		
Central Government Bodies	2,783	1,846
Other Local Authorities	1,971	1,441
Other Entities and Individuals	2,393	3,517
Total Short Term Creditors	**7,147**	**6,804**

Note 23: Provisions

Non-current Provisions	Outstanding Legal Cases £'000	Personal Search Refund Claims	HM Court Fees	NNDR Appeals	Total £'000
Balance at 1 April 2016	30	0	0	0	**30**
Additional provisions made in 2016/17	0	0	0	0	**0**
Amounts used in 2016/17	0	0	0	0	**0**
Balance at 31 March 2017	**30**	**0**	**0**	**0**	**30**
Unused amounts reversed in 2016/17	0	0	0	0	**0**
Closing Balance at 31 March 2017	**30**	**0**	**0**	**0**	**30**

Current Provisions	Outstanding Legal Cases £'000	Personal Search Refund Claims	HM Court Fees	NNDR Appeals	Total £'000
Balance at 1 April 2016	0	21	14	484	**519**
Additional provisions made in 2016/17	0	0	0	1,063	**1,063**
Amounts used in 2016/17	0	0	0	0	**0**
Subtotal at 31 March 2017	**0**	**21**	**14**	**1,547**	**1,582**
Unused amounts reversed in 2016/17	0	(20)	0	0	**(20)**
Closing Balance at 31 March 2017	**0**	**1**	**14**	**1,547**	**1,562**

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 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. The Personal Search claims excercise is now nearly complete and the provision has been reduced to £0.001m which represents claims that are expected to be settled in 2017/18.

3. The NNDR Appeals Provision was increased by £1.063m with £0.640m charged to the provision in 2016/17. The revised provision for 2016/17 was £1.547m. This was due to a revaluation of business rates.

4. 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. The amount owed will be paid in 2017/18.

Note 24: Usable Reserves

Movements in the Authority's usable reserves are outlined in the Movement in Reserves Statement on Page 25.

Note 25: Unusable Reserves

2015/16 £'000		Note	2016/17 £'000
49,017	Revaluation Reserve	25.1	54,491
1,023	Available for Sale Financial Instruments reserve	25.2	929
69,623	Capital Adjustment Account	25.3	68,230
762	Deferred Capital Receipts Reserve	25.4	176
(28,053)	Pensions Reserve	25.5	(30,231)
134	Collection Fund Adjustment Account	25.6	(882)
(168)	Accumulating Compensated Absences Adjustment Account	25.7	(190)
92,338	**Balance as at 31 March**		**92,523**

Note 25.1: Revaluation Reserve

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

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

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

2015/16 £'000		2016/17 £'000	2016/17 £'000
43,266	**Balance at 1 April**		**49,017**
8,202	Upward revaluation of assets	6,647	
(2,451)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,699)	
5,751	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**4,948**
0	Difference between fair value depreciation and historical cost depreciation	0	0
0	Accumulated gains on assets sold or scrapped	526	
0	**Amount written off to the Capital Adjustment Account**		**526**
49,017	**Balance at 31 March**		**54,491**

Note 25.2: 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

2015/16 £'000		2016/17 £'000	2016/17 £'000
682	**Balance at 1 April 2016**		**1,023**
341	Upward revaluation of investments		
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(94)	**(94)**
1,023	**Totals**		**929**
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	
1,023	**Balance at 31 March 2017**		**929**

Note 25.3: 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.

2015/16 £'000		2016/17 £'000	
63,888	Balance at 1 April		**69,623**
(2,969)	Charges for depreciation and impairment of non current assets	(2,083)	
1,463	Revaluation losses on Property, Plant and Equipment	(1,722)	
(62)	Amortisation of intangible assets	(64)	
(821)	Revenue expenditure funded from capital under statute	(1,377)	
	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,274)	
(2,389)			**(6,520)**
0	Adjusting amounts written out of the Revaluation Reserve		(55)
(2,389)	**Net written out amount of the cost of non current assets consumed in the year**		**(6,575)**
	Capital financing applied in the year:		
4,353	Use of the Capital Receipts Reserve to finance new capital expenditure	2,767	
484	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,418	
1,854	Application of grants to capital financing from the Capital Grants Unapplied Account	1,687	
165	Statutory provision for the financing of capital investment charged against the General Fund	88	
0	Capital expenditure charged against the General Fund	0	
6,856			**5,960**
1,268	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(778)
69,623	**Balance at 31 March**		**68,230**

Note 25.4: 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.

2015/16 £'000		2016/17 £'000
812	**Balance at 1 April**	**762**
(48)	Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(582)
(2)	Transfer to the Capital Receipts Reserve upon receipt of cash	(4)
762	**Balance at 31 March**	**176**

Note 25.5: 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. An additional Employers contribution of £4m was provided to the Pension Fund during the year to reduce the liability.

2015/16 £'000		2016/17 £'000
(35,116)	**Balance at 1 April**	**(28,053)**
8,301	Remeasurements of the net defined benefit liability/(asset)	(5,474)
(3,099)	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	(2,807)
1,861	Employer's pensions contributions and direct payments to pensioners payable in the year	6,103
(28,053)	**Balance at 31 March**	**(30,231)**

Note 25.6: 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.

2015/16 £'000		2016/17 £'000
(736)	**Balance at 1 April**	**134**
(172)	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	(16)
1,042	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	(1,000)
134	**Balance at 31 March**	**(882)**

Note 25.7: 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.

2015/16 £'000		2016/17 £'000
(163)	**Balance at 1 April**	**(168)**
163	Settlement or cancellation of accrual made at the end of the preceding year	168
(168)	**Amounts accrued at the end of the current year**	(190)
(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	(22)
(168)	**Balance at 31 March**	**(190)**

Note 26: Cash Flow - Operating Activities

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(185)	Interest received	68
128	Interest paid	(80)
0	Soft loans interest	(44)
(328)	Dividends received	313
(385)	**TOTALS**	**257**

2015/16 £'000		2016/17 £'000
(2,969)	Depreciation	(2,083)
1,463	Impairment and downward valuations	(1,722)
(62)	Amortisation	(64)
0	Adjustments for effective interest rates	0
5	Disposals of non current assets	
1,770	Increase/(decrease) in creditors	264
1,438	Increase/(decrease) in debtors	(667)
4	Increase/(decrease) in inventories	(3)
(1,238)	Movement in pension liability	3,296
3,726	Other movements	(3,123)
4,137	**TOTALS**	**(4,102)**

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

2015/16 £'000		2016/17 £'000
2,183	Capital Grants credited to Surplus deficit on provision of services	1,418
0	Any other items for which cash effects are investing or financing	46
(341)	Other Comprehensive Income & Expenditure Surplus on Revaluation of Investments	(95)
(1,200)	Proceeds from the Sale of PPE, investment property & intangibles	1,553
642	**TOTALS**	**2,922**

Note 27: Cash Flow - Investing Activities

2015/16 £'000		2016/17 £'000
5,076	Purchase of property, plant and equipment, investment property and intangible assets	16,299
1,196	Other payments for investing activities	(22)
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,853)
0	Proceeds from short and long term investments	1,500
(7,159)	Purchase of short and long term investments	0
0	Other receipts from investing activities	596
(887)	**Net cash flows from investing activities**	**13,520**

Note 28: Cash Flow - Financing Activities

2015/16 £'000		2016/17 £'000
(41)	Other receipts from financing activities	0
0	Long Term Borrowing - cash receipts	(10,000)
(39)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	398
(80)	**Net cash flows from financing activities**	**(9,602)**

Note 29: Members Allowances

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

	2015/16 £'000	2016/17 £'000
Salaries	0	0
Allowances	208	215
Expenses	5	8
Total	**213**	**223**

Note 30.1: 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)	**2016/17**	**92,482**	**0**	**7,187**	**0**	**0**	**99,669**	**15,220**	**114,889**
	2015/16	91,498	0	6,747	0	0	98,245	15,011	113,256
Corporate Head of service - Property, Revenues, Parking etc	**2016/17**	**75,813**	**0**	**220**	**0**	**3,552**	**79,585**	**11,612**	**91,197**
	2015/16	76,164	0	0	0	3,552	79,716	11,708	91,424
Corporate Head of Service - Democratic Services, Legal etc	**2016/17**	**49,856**	**0**	**110**	**0**	**2,072**	**52,038**	**6,771**	**58,809**
	2015/16	77,096	0	0	0	3,552	80,648	11,532	92,180
Corporate Head of Service - Housing, Benefits, Telecare etc	**2016/17**	**74,360**	**0**	**1,301**	**0**	**0**	**75,661**	**11,588**	**87,249**
	2015/16	**74,547**	**0**	**1,239**	**0**	**0**	**75,786**	**11,463**	**87,249**
Corporate Head of Service - Environmental, Communications etc	**2016/17**	**67,415**	**0**	**2,006**	**0**	**0**	**69,421**	**10,365**	**79,786**
	2015/16	**66,686**	**0**	**1,239**	**0**	**0**	**67,925**	**10,291**	**78,216**
Acting Corporate Head of Service - Environmental, Communications etc	**2016/17**	**4,714**	**0**	**0**	**0**	**0**	**4,714**	**715**	**5,429**
	2015/16	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Corporate Head of Service - Planning	**2016/17**	**67,226**	**0**	**1,540**	**0**	**0**	**68,766**	**10,495**	**79,261**
	2015/16	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Legal Services Manager - Statutory Monitoring Officer	**2016/17**	**59,406**	**0**	**1,899**	**0**	**0**	**61,305**	**9,197**	**70,502**
	2015/16	59,064	0	1,239	0	0	60,303	9,044	69,347
Financial Services Manager (wef 11/08/14)	**2016/17**	**54,199**	**0**	**770**	**0**	**0**	**54,969**	**8,445**	**63,414**
	2015/16	53,856	0	0	0	0	53,856	8,261	62,117
Total	**2016/17**	**545,471**	**0**	**15,033**	**0**	**5,624**	**566,128**	**84,408**	**650,536**
	2015/16	498,911	0	10,464	0	7,104	516,479	77,310	593,789

Note:

The Acting Corporate Head (Environment, Communications) was appointed on 6th March 2017. The previous Corporate Head (Environment, Communications) left the Authority on 19th March 2017.
The Corporate Head of Service (Democratic Services) left the Authority on 31st October 2016

Secondments

The Chief Executive was on secondment from Surrey County Council for all of 2016/17. 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.

Seconded and Agency Officers' Remuneration	2015/16 £	2016/17 £
Chief Executive	139,546	147,262
Total	**139,546**	**147,262**

Note 30.2: 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	2015/16 Number of employees Total	2015/16 Number of employees Left during the year	2016/17 Number of employees Total	2016/17 Number of employees Left during the year
£50,000 - £54,999 *	10	1	8	1
£55,000 - £59,999 **	2	0	4	1
£60,000 - £64,999	2	0	3	0
£65,000 - £69,999	1	0	2	0
£70,000 - £74,999	0	0	1	1
£75,000 - £79,999	2	0	2	0
£80,000 - £84,999	1	0	1	1
£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**	**1**	**22**	**4**

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 2016/17.

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. This position is included separately in the table below.

Seconded Officers Potential Bandings if included in above bandings	Numbers/Full time
£145,000 - £149,999	1

Note 30.3: 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 2015/16	Number of compulsory redundancies 2016/17	Number of other departures agreed 2015/16	Number of other departures agreed 2016/17	Total number of exit packages by cost band 2015/16	Total number of exit packages by cost band 2016/17	Total cost of exit packages in each band 2015/16	Total cost of exit packages in each band 2016/17
£0 - £20,000	0	0	2	5	2	5	8,284	30,136
£20,001 - £40,000	0	1	1	1	1	2	25,000	63,030
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	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**	**1**	**3**	**6**	**3**	**7**	**33,284**	**93,166**

Note 31: 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.

	2015/16 £'000	2016/17 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	46	46
Fees payable to Grant Thornton in respect of Statutory inspections	0	0
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	18	22
Total	**64**	**68**

Note 32.1: Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

Credited to Taxation and Non Specific Grant Income	2015/16 £'000	2016/17 £'000
Revenue Support Grant including Local Council Tax Support Scheme	903	274
New Homes Bonus	1,088	1,328
Small Business Rate Relief Grant	386	388
Other Business Rate Relief Grant	143	2
Flood Relief Grant	0	0
Capital Grants and Contributions	2,367	1,369
Non Ring-fenced Government Grant	129	488
New Burdens Grant	0	0
Transparency Grant	8	8
Sub Total	**5,024**	**3,857**

Credited to Services	2015/16 £'000	2016/17 £'000
Housing Benefit Allowance subsidy	21,315	20,964
Housing Benefit Rent Rebate subsidy	199	199
Housing Benefit Admin Grant	305	274
Housing Benefit Specific Grant	33	80
Discretionary Housing Payments	56	77
Home Office Grant	0	56
NNDR cost of collection allowance	152	152
Localisation of Council Tax Support Scheme	14	0
PPP funding	68	197
Other Grants	297	287
Total	**22,439**	**22,286**

Note 32.2: 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:

	2015/16 £'000	2016/17 £'000
Grants Receipts in Advance-Capital Grants :		
s106 (Developer infrastructure) contributions	375	375
Grants Receipts in Advance-Revenue Grants :		
- grants received from government departments	434	413
Total	**809**	**788**

Note 33: 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 'income & expenditure analysed by nature' in Note 8 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2017 are shown in Note 32.

Note 33: 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 2016/17 is shown in Note 29. 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 2016/17 the Council awarded grant payments, in excess of £15,000, of £686,551 (£432,929 in 2015/16) to 9 voluntary and community organisations (9 in 2015/16) in which 4 Council Members (5 in 2015/16) 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 The Grange Centre and Transform Housing and Support was by way of grant contributions towards the purchase of affordable housing properties within 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 2015/16 and 2016/17. Key management personnel with whom the Authority has a shared interest with other Authorities will be disclosed for 2016/17 and restated for 2015/16 where a significant proportion of their remuneration has been charged to Mole Valley District Council for their services. This is in line with IAS 24 'Key Management Personnel'.

2015/16 Amount Paid (£'000)	Member	Voluntary Organisation	2016/17 Amount Payable (£'000)	Member
0	-	The Grange Centre	240	
133	Lynne Brooks, Emile Aboud	Leatherhead and Dorking Citizens Advice Bureaux	135	Lynne Brooks, Lucy Botting
108	-	Stonham Home Group	98	
40	-	Transform Housing & Support	80	
0	-	North Leatherhead Community Centre	42	
0	-	Beare Green Village Hall	31	
0	-	Walliswood Village Hall Association	24	
0	-	Mickleham Childrens Playground	20	Duncan Irvine
17	Corinna Osborne-Patterson	Lower Mole Countryside Management	17	Duncan Irvine, Patricia Wiltshire
40	David Draper	Dorking United Reformed Church	0	
40	-	Ashtead Parochial Church Council	0	
20	Stella Brooks	Bookham Community Association	0	
20	-	Eastwick Road Church	0	
15	-	Voluntary Action Mid Surrey	0	
433			687	

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.

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 acquired two wholly owned limited companies towards the latter half of 2016/17 namely 'MOVA Holdings Limited' and subsidiary company 'MOVA Properties Limited'. The companies have been set up with £10K working capital and have incurred minor costs to date including software and legal fees. The majority of the capital will be spent during 2017/18 when the Authority will be required to prepare group accounts. (See note 6 - Events after the Balance Sheet)

Note 34: 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.

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement	2,791	2,676
Capital investment		
Property, Plant and Equipment *	2,117	7,304
Heritage Assets *	291	515
Investment Properties *	3,446	8,478
Intangible Assets *	17	0
Revenue Expenditure Funded from Capital under Statute	821	1,377
Sources of finance		
Capital receipts	(4,354)	(2,767)
Government grants and other contributions	(2,183)	(2,293)
Sums set aside from revenue:		
• Direct revenue contributions		0
• Developer contributions	(155)	(812)
• MRP	(115)	(85)
Closing Capital Financing Requirement	**2,676**	**14,393**
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)	(115)	11,552
Assets acquired under finance leases	0	(165)
Increase/(decrease) in Capital Financing Requirement	**(115)**	**11,387**

Note 35.1.1: 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.

	2015/16 £'000	2016/17 £'000
Other Land and Buildings	1,754	1,801
Vehicles, Plant, Furniture and Equipment	47	149
Finance Leased Assets	**1,801**	**1,950**

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. The Creditor has reduced due to the acquisition of the new freehold investment at the Swan Centre. A corresponding Debtor in Note 35.1.2 has reduced due to the prior year lease arrangements with NILGOSC ending.

	2015/16 £'000	2016/17 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	165	89
• non current	2,785	1,795
Finance costs payable in future years	(128)	(76)
Minimum lease payments	**2,822**	**1,808**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Not later than one year	165	89	165	89
Later than one year and not later than five years	944	364	842	303
Later than five years	1,841	1,431	1,815	1,416
Minimum Lease payments payable	**2,950**	**1,884**	**2,822**	**1,808**

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 2016/17 there were no contingent rents payable by the Authority (2015/16 nil).

Note 35.1.2: Authority as Lessor - Finance Leases

Finance Leases

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. The Debtor has reduced during the year due to the new purchase of the freehold investment at the Swan Centre previously calculated within Debtors and Creditors (Finance Lease Lessee and Lessor) last year.

	31 March 2016 £'000	31 March 2017 £'000
Gross receivables - Finance lease debtor (net present value of minimum lease payments)	1,549	370
Unguaranteed residual value of property :		
• current	(50)	(4)
• non current	(767)	(175)
Unearned finance income	(817)	(179)
Gross investment in the lease	**732**	**191**

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 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	50	4	50	4
Later than one year and not later than five years	200	16	200	16
Later than five years	1,349	354	532	175
Gross Investment in the Lease payments	**1,599**	**374**	**782**	**195**

Note 35.2.2: 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.

	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	2,280	2,980
Later than one year and not later than five years	7,897	10,151
Later than five years	55,790	38,083
Total	**65,967**	**51,214**

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 2016/17 no contingent rents were receivable by the Authority.

Note 36: 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 36.1: Defined Benefit Pension Schemes cont….

Comprehensive Income & Expenditure Statement - Cost of Services	Local Government Pension Scheme 2015/16 £'000	2016/17 £'000
Cost of Services:		
• Current service cost	1,973	1,899
Financing and Investment Income and Expenditure		
• Net interest cost expense *	1,126	908
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,099**	**2,807**
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)	(1,336)	10,928
• Actuarial gains and losses arising on changes in demographic assumptions	0	1,340
• Actuarial gains and losses arising on changes in financial assumptions	8,253	(17,028)
• Other Experience	1,384	(714)
Total remeasurements recognised in Other Comprehensive Income & Expenditure	**8,301**	**(5,474)**
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,099)	(2,807)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	1,861	6,103
Actual amount recognised in the General Fund for pensions in the year	**(1,238)**	**3,296**

The total remeasurements recognised in Other Comprehensive Income and Expenditure reported a net gain/ (loss) of £5.474m at 31 March 2017 and at 31 March 2016 incurred a net reduced liability of £8.301m. The Employers contributions for the year include a £4m additional payment to the scheme.

Note 36.2: 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:

	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(90,669)	(108,812)
Fair value of plan assets	62,616	78,581
Sub-Total	**(28,053)**	**(30,231)**
Other movements in the liability (asset)	0	0
Net Liability arising from defined benefit obligation	**(28,053)**	**(30,231)**

Note 36.3: 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	
	2015/16 £'000	**2016/17 £'000**
Opening Fair Value of Scheme Assets 1 April	62,992	62,616
Interest income	1,999	2,239
Remeasurement (gains) and losses:		
The Return on plan assets, excluding the amount included in the net interest expense	(1,336)	10,928
Other		
The effect of changes in foreign exchange rates	0	0
Contributions from Employer	1,810	6,055
Contributions from Employees into the scheme	499	497
Benefits paid	(3,348)	(3,754)
Other	0	0
Closing fair value of scheme Assets 31 March	**62,616**	**78,581**

Note 36.4: Reconciliation of present value of the Scheme Liabilities (Defined Benefit Obligation)	Funded liabilities:	
	2015/16 £'000	**2016/17 £'000**
Opening balance at 1 April	98,108	90,669
Current service cost	1,973	1,899
Interest cost	3,125	3,147
Contributions by scheme participants	499	497
Remeasurement (gains) and losses:		
Changes in financial assumptions	(8,253)	(1,340)
Other Experience	(1,384)	17,028
Benefits paid	(3,399)	714
Closing balance at 31 March	**90,669**	**108,812**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £108.8m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £30.2m. 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(ie before payments fall due as assessed by the scheme actuary. During the year 2016/17 an additional contribution of £4m was paid into the fund.
- 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

Note 36.5 Local Government Pensions Scheme Assets

The Local Government Pension Scheme Assets comprised :

Fair Value of Scheme Assets - Note 1	2015/16 £'000	% of total assets	2016/17 £'000	% of total assets
Cash and Cash Equivalents	1,748	3%	9,309	12%
Equity Instruments				
By Industry type (Note 2) :				
• Consumer	5,030	8%	6,375	8%
• Manufacturing	3,828	7%	5,779	7%
• Energy and Utilities	1,759	5%	3,168	4%
• Financial Institutions	4,475	7%	5,559	7%
• Health and Care	2,207	4%	2,100	3%
• Information Technology	3,391	5%	4,426	6%
• Other	92	0%	160	0%
Sub-total Equity	**22,530**		**36,876**	
Bonds:				
• Corporate investment grade	2,679	4%	2,728	3%
• Corporate Non-investment	166	0%	172	0%
• Uk government	0	0%	160	0%
• Other	84	0%	360	0%
Sub-total Bonds	**2,929**		**3,420**	
Property - by Type:				
• UK	3,779	6%	4,468	6%
• Overseas	491	1%	29	0%
Sub-Total Property	**4,270**		**4,497**	
Private Equity:				
• UK and Overseas *(1)	2,491	4%	3,298	4%
Sub-Total Private Equity	**2,491**		**3,298**	
Investment Funds and unit				
• Equities	16,299	26%	21,791	28%
• Bonds	6,719	11%	8,590	11%
• Other	7,755	12%	-	-
Sub-Total Other Investment	**30,773**		**30,380**	
Derivatives:				
• Interest Rate	0	0%	(2)	0%
• Foreign exchange contracts	(377)	-1%	111	0%
Sub-Total Derivatives	**(377)**		**109**	
Total Financial Assets	**62,616**		**78,581**	

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	2015/16 £'000	% of total assets	2016/17 £'000	% of total assets
Equity Instruments:				
• UK and Overseas *(1)	2,491	4%	3,298	4%
Sub-Total Private Equity Instruments	**2,491**		**3,298**	

Note 36.6: 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 2017. 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:	**2015/16**	**2016/17**
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	24.1 yrs
- Women	26.9 yrs	26.4 yrs
Rate of increase in salaries	3.70%	2.70%
Rate of increase in pensions	2.20%	2.40%
Rate for discounting scheme liabilities	3.50%	2.50%
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%	65.00%

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 2017 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 31.3.17	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	9%	9,421
0.5% increase in Salary increase Rate	1%	1,095
0.5% increase in Pension increase Rate	8%	8,208

Note 36.7: 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 (46% 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 36.8: 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 2017.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 2017 (or service after 31 March 2018 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 £2,055,000 expected contributions to the scheme in 2016/17 with an additional £4m contribution to the scheme to cover anticipated future liabilities.

The weighted average duration of the defined benefit obligation for scheme members is 16.1 years in 2016/17.

Note 37: Contingent Liabilities

There were no Contingent Liabilities to report during the year 2016/17.

Note 38: 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 39. 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 2016/17	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
Mayflower fund raising and endowment fund	0	0	4	
Fairfield fund raising and endowment fund	14	15	22	
Thomas Flack fund				
- Net Carrying Value Assets	34	76	770	
Total	**48**	**91**	**796**	**0**

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**

Note 40 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:

2016/17 Notes	Notes	Business Rates NNDR 3 £'000	Council Tax £'000	TOTALS £'000
Income				
Council Tax Receivable	1	0	66,460	66,460
Business Rates Receivable	3	38,034	0	38,034
Total Income		38,034	66,460	104,494
Charges to the Collection Fund:				
Less write offs of uncollectable amounts		82	58	140
Less increase (-)/Decrease in provision for Bad Debts		100	80	180
Less increase (-)/Decrease in provision for appeals*		2,657	0	2,657
Less Disregarded amounts		0	0	0
Contribution to Collection Fund Surplus		0	325	325
Total Charges to the Collection Fund		2,839	463	3,302
Collectable Rates		**35,195**	**65,997**	**101,192**
Less Other Charges :				
Transitional Protection sums due from the Authority		43	0	43
Cost of Collection allowance		152	0	152
Non-domestic Rating (NNDR) income for 2016/17		**35,000**	**65,997**	**100,997**
Demands Precepts and Proportionate Shares				
DCLG /Central Government		17,500	0	17,500
Mole Valley	2	14,000	6,774	20,774
County Council	2	3,500	50,584	54,084
Surrey Police	2	0	8,782	8,782
NNDR Income as at 31 March 2017		**35,000**	**66,140**	**101,140**
Less NNDR1 and NNDR 3 Reconciliation Amounts *	3	4,131	0	4,131
Surplus/Deficit (-) arising during the year		**4,131**	**(143)**	**3,988**
Surplus /Deficit (-) b/f 1st April 2016		**(294)**	**154**	**(140)**
Estimated Surplus/Deficit (-) payable in 2016/17		**(1,630)**	**0**	**(1,630)**
Surplus/Deficit (-) arising during the year including paid in year		**2,207**	**11**	**2,218**

Collection Fund Surplus/(Deficit)		Business Rates £'000	Council Tax £'000	2016/17 £'000
DCLG /Central Government		(1,104)	0	(1,104)
Mole Valley		(883)	1	(882)
County Council		(220)	8	(212)
Surrey Police		0	2	2
Surplus/Deficit (-) c/f 31st March 2017		**(2,207)**	**11**	**(2,196)**

Memorandum Note - Debtors and Prepayments		Business Rates £'000	Council Tax £'000	2016/17 £'000
Sums outstanding from Ratepayers (Arrears/Debtors)		1,342	1,263	2,605
Prepayments and Overpayments		(882)	986	104

* Please see Note 13 for General Fund NNDR allocations

Comparative Information - Collection Fund 2015/16

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 2015/16 is as follows:

2015/16	Notes	Business Rates (NNDR 3) £'000	Council Tax £'000	TOTALS £'000
Income				
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 (inc)/decrease in provision for bad debts		120	60	180
Less (inc)/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 and Tax		**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
Total income		175	0	175
NNDR and Council Tax 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**
Estimated Surplus/Deficit (-) b/f 1st April 2015		**(2,310)**	**1,817**	**(493)**
Estimated Surplus/Deficit (-) payable in 2015/16		**(184)**	**0**	**(184)**
Estimated Surplus/Deficit (-) c/f 31st March 2016		**294**	**155**	**449**

Collection Fund Surplus/(Deficit)	Business Rates £'000	Council Tax £'000	2014/15 Total £'000
DCLG /Central Government (50% Share NNDR)	147	0	147
Mole Valley Share (40% Share NNDR)	118	16	134
Surrey County Council (10% Share NNDR)	29	118	147
Surrey Police (Council Tax only)	0	21	21
Surplus/Deficit (-) c/f 31st March 2016	**294**	**155**	**449**

Memorandum Note - Debtors and Prepayments	Business Rates £'000	Council Tax £'000	2014/15 Total £'000
Sums outstanding from Ratepayers (Arrears/Debtors)	1,828	1,108	2,936
Prepayments and Overpayments	2,212	764	2,976

Note 40.1 : 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 2016/17 (with comparative figures for 2015/16) is set out below:

Bands and value ranges	Estimated number of properties	Multiplier	2015/16 Band D equivalent	2016/17 Band D equivalent
A - up to £40,000	964	6/9	620	643
B - from £40,001 to £52,000	1,495	7/9	1,120	1,163
C - from £52,001 to £68,000	2,815	8/9	2,480	2,502
D - from £68,001 to £88,000	6,507	9/9	6,475	6,507
E - from £88,001 to £120,000	6,197	11/9	7,511	7,574
F - from £120,001 to £160,000	5,638	13/9	8,158	8,144
G - from £160,001 to £320,000	7,065	15/9	11,709	11,775
H - more than £320,001	948	18/9	1,876	1,896
Sub total			39,949	40,204
Less allowance for non-collection			(399)	(402)
Add Crown properties (in lieu)			82	82
Council Tax Base			39,632	39,884

The average Band D Council Tax for 2016/17, excluding parishes was £1,652.12. (£1,596.09 in 2015/16).

Note 40.2 Preceptors

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

	2015/16 £'000	2016/17 £'000
Surrey County Council	48,338	50,584
Surrey Police Authority	8,556	8,782
Mole Valley District Council	6,361	6,527
Parish Councils	193	247
	63,448	**66,140**

Parish Council Precepts are set out below:

	2015/16 £'000	2016/17 £'000
Abinger	23	25
Betchworth	11	13
Brockham	17	18
Buckland	9	14
Capel	38	52
Charlwood	33	53
Headley	13	14
Holmwood	11	12
Leigh	11	12
Mickleham	5	7
Newdigate	9	12
Ockley	10	11
Wotton	3	4
	193	**247**

Note 40.3 Safety Net Calculations NNDR apportionments 31.3.2017	Note	2016/17 £'000
NNDR Income as at 31.3.2017		38,034
Split as follows:		
Central Government (DCLG) 50%	40	19,017
Surrey County Council 10% Share	40	3,803
Mole Valley District Council 40% Share	40	15,214
Reconciliation to Note 13 income Figure (General Fund) :		
Add half of Small Business Rate Relief x 40% MVDC Share		1,091
Add Discretionary Reliefs (thru' S31 Grant) x 40% (MVDC Share)		12
Authority Share MVDC for Safety Net and Levy Calculation 40%	13	14,442

Note 40.4 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.

	2015/16	2016/17
Non-Domestic Rateable Value Gross	£90.29m	£89.34m
Standard Business Rate	49.3p	49.7p
Small Business Rate	48.0p	48.4p
Business Rates Receivable after reliefs & transition	£37.86m	£38.03m

Note 41: Nature and Extent of Risks Arising from Financial Instruments

Treasury policy and financial risk management

The main classes of financial instruments for the Council are as follows:

- Investments in term instruments and deposits at short notice.
- Short-term debtors, creditors, deposits and cash arising directly from operations.
- Long-term borrowing from the Public Works Loans Board.

The class of financial instruments that has the most significant risk exposures is investments.

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 23rd February 2016 and is available on the Council website. The key issues within the Strategy were:

Note 41: Nature and Extent of Risks Arising from Financial Instruments

- The Authorised Limit for 2016/17 was set at £35m. 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 £30m in 2016/17. 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 20% respectively.
- The minimum and maximum exposures to the maturity structure of debt were set for 2016/17 at 0% at the lower end and up to 100% for 10 years and above.

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, the investment of surplus cash and borrowing.

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 2016/17 – 2017/18 and adoption of the Treasury Management Strategy and Plan 2016/17 (approved by Council on 23rd February 2016), 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. A copy of the Strategy is available on the Council's website.

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 2017 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 41: Nature and Extent of Risks Arising from Financial Instruments

The Council does not generally allow credit for its customers, such that £2.246m of the 2016/17 £4.784m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2015/16 £'000	2016/17 £'000
Within payment terms	274	880
Less than three months	410	983
Three to six months	8	283
Six months to nine months	8	11
More than nine months	182	89
Total	**882**	**2,246**

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 maturity analysis of financial liabilities and financial assets, excluding sums due from customers, is as follows:

	2015/16 £'000	2016/17 £'000
Other – greater than 1 year	0	10,000
Total - Financial Liabilities	**0**	**10,000**

	2015/16 £'000	2016/17 £'000
Less than 1 year	8,500	10,000
Between 1 and 2 years	0	0
Between 2 and 3 years	0	0
Other – greater than 1 year	6,023	5,929
Total - Financial Assets	**14,523**	**15,929**

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 liabilities and 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 borrowed in 2016/17 the first time since becoming debt free on 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:

	2015/16 £'000	2016/17 £'000
Increase in interest payable on variable rate borrowings	0	100
Increase in interest receivable on variable rate investments	(327)	(235)
Interest Rate Risk	**(327)**	**(135)**
Decrease in fair value of fixed rate investment assets	0	0
Decrease in fair value of fixed rate borrowing liabilities	0	3,800
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**	**3,800**

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

Price risk - The Council does not invest in marketable bonds or equity shares and is therefore not exposed to losses arising from movements in the prices of such shares. The only quoted investments during 2015/16 and 2016/17 were with the CCLA property fund.

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

Produced By

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