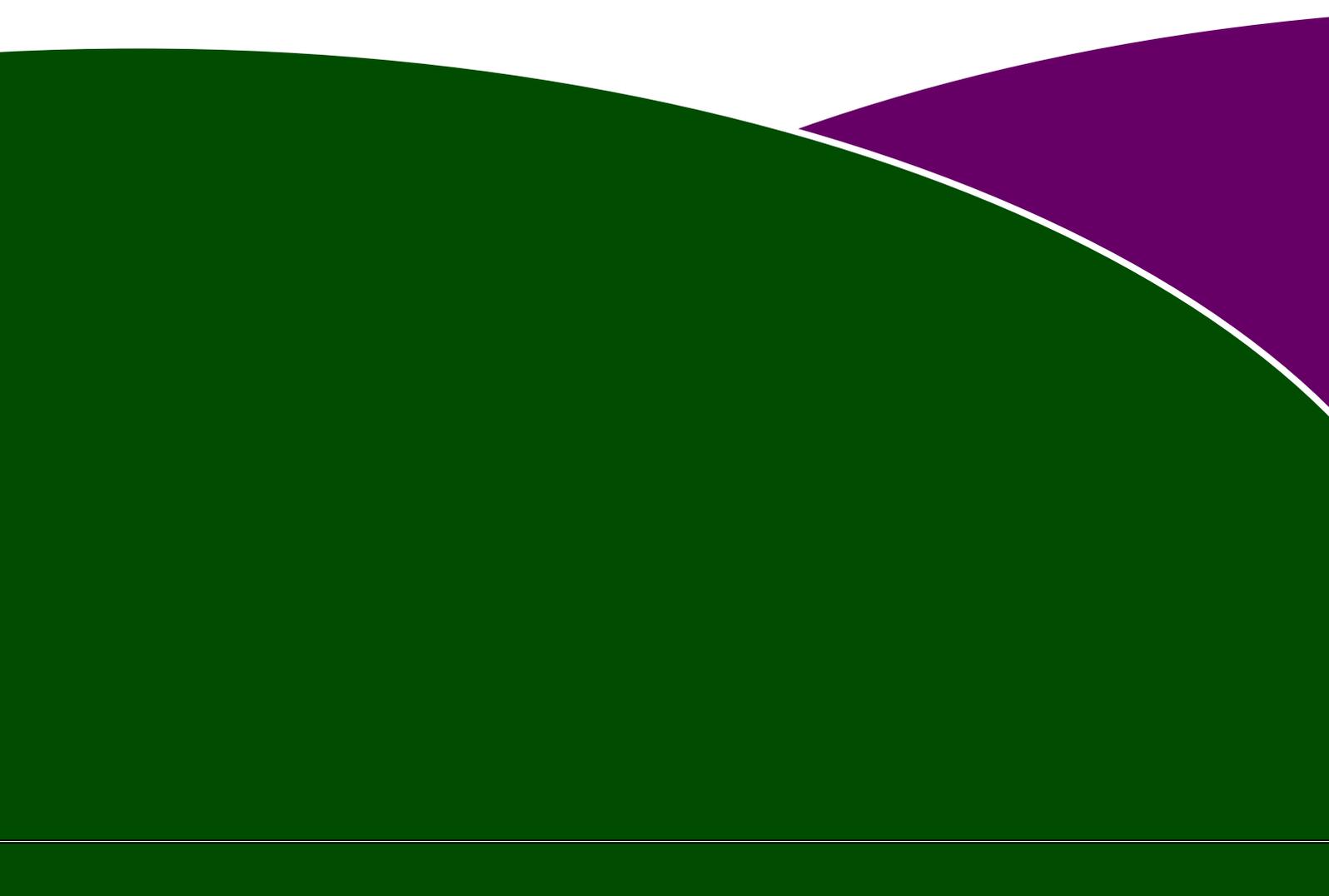


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STATEMENT OF ACCOUNTS

2014/15



STATEMENT OF ACCOUNTS

For the year ended 31 March 2015

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EXPLANATORY FOREWORD

Introduction

Mole Valley's finances, in common with all other local authorities, are complex. Although the Council attempts to present the Accounts in an understandable way, a large amount of the detail and the format is prescribed by law. The Statement of Accounts for the year ended 31st March 2015 has been prepared and published in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice on Local Authority Accounting in the UK' and the Accounts and Audit Regulations 2011.

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

Overview

Robust budget control and monitoring during the year enabled the Council to report a net revenue underspend at year end. This performance was both helped and hindered by the ongoing economic conditions – helped by the low and stable level of inflation, hindered by the disappointing returns on investments. However, despite the low interest rates, budgeted interest income was exceeded.

Mole Valley's capital spending was £3.824m for the year. This was funded through internal resources and the Council remains a debt-free Authority, though more ambitious plans for capital investment in the near future may impact on this.

Budgeted Income & Expenditure

The budget for the revenue expenditure of Mole Valley's business units was £10.064m for 2014/15. At 31st March 2015, the total net spend of the businesses was £9.797m, leaving the Council with an underspend of £267,000 against budgeted costs.

The main variations contributing to this underspend were:-

- Successful completion for a lease of Curtis Road, Dorking premises which underpinned a total underspend on Property of £115,000.
- Underspends on staffing, hardware and software costs which accumulated to produce a £77,000 saving on IT
- An overspend on central, corporate costs of £62,000 resulting from the need to make provision for insurance claims and bad debts
- Additional income from the high levels of usage and income at the Leatherhead Leisure Centre, contributing to an underspend on the Partnerships budget of £57,000

The bulk of the variations listed above against budget had already been picked up and identified in the monthly monitoring undertaken by budget managers. The position reported at the end of January was a total spend of £9.809m which was within £12,000 of the outturn position.

The way the Council's finances are reported to management for resource allocation and budgetary control is different to the main presentation in these pages. NFS28 shows the Authority's income and expenditure in the style reported throughout the year. The difference is due to a range of substantial adjustments which are outside of the day-to-day control of budget managers but required to be included in the year-end Statement of Accounts. These include such items as pension fund transfers and depreciation of assets and equipment.

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 collectable council tax and non domestic rates by the Authority's Revenues Team places it among the top performers in the country. The Council received the anticipated Revenue Support Grant (RSG) and New Homes Bonus, based on the net number of new homes in the District in the preceding year. The retention of a proportion of non-domestic rates gives the Council an extra incentive to maintain high collection rates and maximise the yield on properties within the District. On the overall collection of around £35m rates and the retention of Mole Valley's 'share', outturn is in line with expectations. The recessionary economic climate continued to restrict returns on the Council's standard investments to between 1% and 1.5% though the transfer of £5m in the previous year to a property fund continued to produce a higher yield and contributed to an excess of investment income over target of £30,000.

Levels of Reserves and Balances

The policy of the Council, on the recommendation of the s151 Officer, is to maintain a specified level of balances, in highly liquid form, to counter emergencies. The stipulated amounts are £1.3m revenue balances and £8m capital.

Revenue balances stood at £3.424m at the beginning of the year and are £4.384m at the end of the year – as the Movement in Reserves Statement shows.

Capital Expenditure

The expenditure on capital projects during 2014/15 was £3.824m at year end. Of this, £3.255m was spent on major schemes (over £50,000) and £0.569m on minor works. Major scheme highlights include contributions to affordable housing (£0.735m), the purchase of emergency accommodation for the homeless (£0.759m) and the funding of housing adaptations for the disabled (£0.523m).

It is good accounting practice for a contribution to be made from the revenue budget each year towards the maintenance and upkeep of capital assets. This has been done in Mole Valley in the past where budgetary pressures have allowed. A budgeted contribution of £0.321m was reinstated this year towards the cost of wear and tear on our capital assets. The Medium Term Financial Strategy anticipates that this will feature as part of the regular, annual budget.

Pension Fund Update

The triennial Actuarial Valuation of the Surrey Pension Fund took place on 31 March 2013, the next is due in 2016. Assumptions have been updated to reflect each of the two years that have passed since the last full valuation. At the end of 2014/15, the assessed net deficit on the Fund (the amount by which liabilities of £98.1m outweigh assets of £63.0m) was £35.1m. The movement since last year was an increase of £6.5m on assets and £13.2m on liabilities.

The report of the Actuary pinpointed the cause of the increase in net liabilities as due to the change in market conditions in the last year, in particular the reduced bond yields. Although this was, to some extent, offset by strong asset returns, the low bonds yields contributed to a reduction in the discount rate which increased the assessed value of the Pension Fund liabilities.

Looking Forward

The current economic conditions and Government attempts to reduce public sector spending were influential factors in the decisions taken by the Council in relation to setting its 2015/16 budget. Prospects for Revenue Support Grant from the Government look poor. The level of Council Tax increase is constrained by law and the controls are likely to get tighter.

A major theme of the Medium Term Financial Strategy and 2015/16 budget is therefore to pursue policies that will help Mole Valley to generate its own funding. The Government has pointed the way in this respect by pinning increased amounts of funding to the level of non domestic rates and new houses that are, to some extent, responsive to the Council's policies and actions. The importance of commercial or residential development in the District to ensure that the Council retains or increases its share of resources distributed through the retention of non domestic rates and the New Homes Bonus was recognised in the budget and reflected in the future funding projections. Other initiatives to generate funds are emerging as the Council strives to make best use of its assets. A variety of land and property based projects have been launched which, over the course of the next 5 to 7 years, are designed to generate significant capital or revenue funding for the Council and ensure its financial stability with or without Government grant support. These projects include the transformation of Leatherhead Town Centre (with the support of the Government's Coast To Capital Local Economic Partnership), the refurbishment of Pippbrook HQ and the development of the Meadowbank Football Ground.

Accounting Statements

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

(i) Comprehensive Income & Expenditure Statement (CIES)

The CIES consolidates all of 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

The Balance Sheet shows the value at 31 March 2015 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

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

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.

(v) Collection Fund Statement

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
xx September 2015

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
Pippbrook
Dorking, Surrey RH4 1SJ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOLE VALLEY DISTRICT COUNCIL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOLE VALLEY DISTRICT COUNCIL

We have audited the financial statements of Mole Valley District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Mole Valley District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

INDEPENDENT AUDITOR'S REPORT

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Mole Valley District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Paul Grady for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

xx September 2015

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Local Authority Code.
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

Certification of Chief Finance Officer and Chair of Audit Committee

We declare that the Statement of Accounts present a true and fair view of the financial position of the Authority as at 31 March 2015 and its income and expenditure for the year ended on that date.

Nick Gray
Deputy Chief Executive and Section 151 Officer

Councillor Stella Brooks
Audit Committee (Chair)

Date:

Date:

ANNUAL GOVERNANCE STATEMENT 2015

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

1. Scope of Responsibility

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

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

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

The Annual Governance Statement underpins the Corporate Strategy and other key strategies, including the Medium Term Financial Strategy. It has been prepared with the assistance of MVDC's Strategic Management Team (SMT). The evidence for this Statement is drawn from Council, Executive, Strategic Management Team and Business Unit Managers' work. The work of internal and external audit has also been taken into account.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled. It also includes the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of MVDC's policies, aims and objectives. This enables MVDC to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

3. The Governance Framework

The key elements of the systems and processes that comprise MVDC's governance framework, all of which were in place in 2014/15, are summarised below:

- 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's financial management arrangements conform with the governance requirements of the CIPFA Statement on '*The Role of the Chief Financial Officer in Local Government (2010)*'.
- MVDC has in place a Responsible Finance Officer and Deputy under Section 151 of the Local Government Act 1972. The Deputy Chief Executive (Section 151 Officer) has statutory responsibility for the proper management of MVDC's finances. This role ensures lawfulness and financial prudence of decision making, has responsibility for the administration of the financial affairs of MVDC and provides advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.
- The management of MVDC's finances within departments is devolved to business managers through the Scheme of Delegation to Officer, in Part 3 of 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. A Section 151 commentary is a mandatory element in all committee reports.
- MVDC has a Monitoring Officer who has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by Members are supported by a legal assessment provided by the appropriate officer.
- Corporate Heads are responsible for ensuring that the systems of control used in their functions are robust and that they regularly review their risks.
- The Executive makes decisions on strategy and policy as set out in the Terms of Reference in Part 3 of the Constitution.
- MVDC has both a Scrutiny Committee and an Audit Committee which have a range of powers as set out in their Terms of Reference as laid down in Part 3 of the Constitution.
- The role of the Audit Committee is set out in the Constitution and one of its key roles is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is a committee comprising seven non executive council members, and oversees the internal audit function and considers all relevant reports of the external auditor.
- The terms of reference for the Audit Committee are prepared in line with '*CIPFA's Audit Committees – Practical Guidance for Local Authorities*' and are reviewed annually whilst undertaking the self assessment into the committee's effectiveness and achievements against its terms of reference.
- The Standards Committee agrees the adoption of the Codes of Conduct and advises MVDC on matters relating to the ethical conduct of MVDC officers and its Members as set out in its Terms of Reference in Part 3 of the Constitution.

- Internal Audit (provided by Baker Tilly) monitors the quality and effectiveness of the systems of internal control. The work they undertake forms the basis for the work performed by external audit when assessing the reliance they can place on the system of internal control. The Authority is subject to a statutory Annual Audit which reports on MVDC's Governance, performance and accountancy arrangements.
- The reporting process requires the Internal Audit Contract Manager to submit a report for each audit to the relevant manager and Financial Services Manager. The report identifies recommendations for improvements that are included within an action plan to be agreed with the relevant officer. The reporting requirements also include a quarterly report and an Annual Report to Audit Committee giving the Head of Internal Audit's Annual Opinion Statement. The Internal Audit contract includes improvements to monitoring, for example a set of performance indicators and audit quality feedback questionnaires.
- The Authority is subject to a statutory annual External Audit which reports on MVDC's Governance, performance and accountancy arrangements.

4. Review of Effectiveness

MVDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the annual report of Internal Audit and also advice given by the external auditors and other review agencies and inspectorates.

The effectiveness review assesses how far our processes and documentation meet the criteria contained in our local Code of Corporate Governance. We do this by scoring our arrangements from non-compliance to full compliance, using a checklist. For 2014/15 we have assessed that the majority of elements are fully compliant and in line with best practice and the Audit Committee (March 2015) continues to regard our arrangements as fit for purpose in accordance with the governance framework. Areas where we have assessed our arrangements as having scope for some improvement are identified in Section 7, along with actions to address these.

Our Code of Corporate Governance is based around the six principles identified by CIPFA as the principles of good governance. For each of these principles, elements that have been reviewed/updated during 2014/15 are highlighted in the text below.

Principle 1: Focusing on the purpose of Mole Valley District Council and on outcomes for the community and creating and implementing a vision for the local area

The Corporate Plan 2011-15 set out MVDC's purpose and vision. 2014/15 was the last year of the four year plan which was arranged around the themes of Access to Services, Environment and Value for Money. Business plans for individual business units contained actions that enabled the objectives set out in the Corporate Plan to be delivered. Progress was reported on a regular basis to the Senior Management Team and the Executive.

Work was undertaken in 2014-15 to develop a new Corporate Strategy 2015-19. This was agreed by Council in March 2015. In addition, a new set of core values for the organisation for 2015/16 onwards were developed in 2014/15.

MVDC is focussed on ensuring that its customers receive a high quality of service, regardless of whether it is provided directly, in partnership or commissioned by MVDC. As well as monitoring performance against priorities in the Corporate Plan, effective arrangements were in place to ensure that customers are able to give feedback on the service they have received. There is a complaints policy in place and the annual

complaints report was taken to Scrutiny in September 2014, highlighting areas for improvement as identified through this feedback.

We produced a 2013/14 Annual Report, published in June 2014, which highlighted achievements and progress in delivering against its corporate priorities. The Statement of Accounts 2013/14 was published in September 2014.

MVDC's approach to value for money is set out in the Financial Regulations and Contract Standing Orders in the Constitution. The annual Audit Letter for 2013/14 was considered by the Audit Committee in November 2014. It gave an unqualified conclusion in respect of our arrangements for securing economy, efficiency and effectiveness in our use of resources.

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

Senior Members and officers work closely together to deliver the Council's priorities.

Roles and responsibilities for the Executive and Committees, along with officer functions are defined and documented, with clear delegation arrangements and protocols for effective communication within the Constitution. Councillor roles and duties are also defined and documented. The Constitution is regularly reviewed and updated. The most recent changes were agreed by Council in February 2015.

Contract Standing Orders were revised by Council in February 2015. They set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of fraud or corruption.

Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. There are rules for establishing joint arrangements with other local authorities and the appointment of Members to joint committees, as well as rules for consortium and joint contracts. The Constitution sets out our approach to Joint Arrangements and a protocol for appointments to outside organisations (both were updated in February 2015).

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

The Authority's leadership sets the tone for the organisation by creating a climate of openness, support and respect. The Chief Executive and Senior Management Team hold regular staff briefings, which include a slot for questions and answers. These have been well-attended. Updates from the Chief Executive are published on the intranet, and there is a page where all staff can ask a direct question to the Chief Executive. Staff-side meetings are held regularly and attended by the Deputy Chief Executive.

MVDC's new core values of Listen, Care, Respect, Trust and Lead, were developed with staff in 2014/15. All business units contributed to this exercise to ensure staff buy-in. Each value has an underpinning statement to explain what it means to the organisation and how this shapes our approach to our residents and customers.

Codes of Conduct defining the standards of behaviour for members and staff have been developed and communicated and are available on MVDC's website and intranet site. These include the Code of Conduct for Officers and Members, Anti Fraud and Corruption Policy and protocols for Officers and Members. A Respect at Work Policy states that it is expected that all managers will role model positive and inclusive behaviours.

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

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

The Customer Charter sets out what can be expected of MVDC by customers and vice versa.

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

MVDC operates the Executive model. In 2014/15 significant matters were brought to Council for consideration prior to determination by the Executive, thus maximising Member engagement and scrutiny of major decisions. Decisions relating to the appointment of councillors to outside organisations were also made by Council.

Scrutiny Committee has an established Standing Budget Panel which engages with the annual budget setting process.

The Medium Term Financial Strategy and the Corporate Strategy provide the context for the annual budget, which is laid before the Executive then Council. Regular budget and performance monitoring takes place throughout the year and is reported to the Senior Management Team and the Executive. This highlights variations and provides information on changes in trends and circumstances.

Throughout 2014/15, regular monthly review of the progress on capital programme projects was undertaken, alongside revenue budget monitoring, with the involvement of the Strategic Management Team. This review process ensures that, using the appropriate mechanisms, set out the Constitution, funds can be re-allocated to high priority projects that meet corporate objectives.

Internal Audit is responsible for monitoring the quality and effectiveness of our governance arrangements, our risk management arrangements and our systems of internal control. A risk model is used to formulate the five-year internal audit plan, approved by the Strategic Management Team, from which the annual work plan is identified.

The 2013/14 annual Internal Audit report was taken to Audit Committee in June 2014. Our governance arrangements were assessed as sound throughout the year and risk management processes were considered to be effective and fit for purpose. Overall, our systems of internal control were assessed as adequate with effective arrangements in place.

MVDC is subject to a statutory annual external audit which reports on our governance, performance and accountancy arrangements. The Annual Audit Letter 2013/14 gave an unqualified opinion on the accounts and our income and expenditure for the year, and an unqualified conclusion in respect of our arrangements for securing economy, efficiency and effectiveness in our use of resources. Areas for attention were highlighted for consideration during 2014/15.

The risk management framework has the objective of embedding effective risk management practices at both strategic and operational levels. The Risk Management Policy is reviewed every three years and approved by the Executive. It was last reviewed in March 2015. The Risk Management Annual Report was taken to Audit Committee in March 2015 where the Committee confirmed that they were satisfied with the risk management arrangements. Both internal and external audit reports have confirmed that our arrangements are sound. It is mandatory for the risk implications of policies, plans and decisions to be assessed for all committee reports.

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

Briefing sessions are regularly programmed to ensure that Members are properly equipped to effectively fulfil their responsibilities in the governance of MVDC's operations. Mandatory training to equip Members participating in regulatory decisions such as planning and licensing is provided, together with discretionary training such as media handling.

A Members' Handbook is made available to newly elected Members and an induction programme is held in the first few weeks following an election, supplemented with additional training through the municipal year. A Members Development Programme has been developed which sets out a number of key modules to assist Councillors in their day to day roles as elected Members.

Members are offered the opportunity to participate in the Local Government Association Leadership Academy.

There are a range of programmes, courses and e-learning packages available for staff and managers. Employees have access to Surrey Learn. This has recently been reviewed to ensure that the development offerings keep pace with our changing needs, and there is an increasing focus on comprehensive management cohorts for both new and more experienced managers. The latter stages of the programme increasingly feature Surrey wide perspectives. All new employees undertake an induction programme of e-learning modules and other mandatory and local training elements.

There is a development programme in place for business managers, which has been extended to include all managers within the organisation. As part of the ongoing Personal Development Review process, training and development needs of all employees are continually identified and a development plan is drawn up to meet those needs.

There is a strong culture of promoting career development. This is achieved in a variety of ways, including shared service opportunities, encouraging and facilitating shadowing and mentoring with colleagues in neighbouring authorities, utilising Surrey County Council's specialist pool of trained coaches and training offerings such as the high performance development programme, hosting work experience for young people, including apprenticeships and graduate management trainees, encouraging and facilitating volunteering initiatives and participation in the Youth Enterprise Development Fund. Staff are encouraged to consider secondments and to participate in professional training where there are organisational benefits of doing so. As opportunities arise, such as those presented by the District Council Network's staff development programme, these are promoted and applicants from MVDC are encouraged and supported. Two applicants were successful in achieving a place on the programme in 2015/16. MVDC also hosts graduates from the LGA National Graduate Programme and a variety of professional and strategic management qualifications are being progressed by individuals across the Council.

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

Key areas of work are consulted on, for example the development of the Corporate Strategy 2015-19. The public consultation involved a programme of stakeholder events and a Have Your Say survey which was open from 20th October to 30th November 2014.

The Scrutiny Annual Report summarised work undertaken in 2013/14 and work planned for 2014/15 and was reported to Scrutiny Committee in September 2014.

The Council's website was re-launched in October 2014. The site uses design features that allow visitors who use assistive technologies to successfully navigate the site. The refreshed website achieved 3* from SOCITM and was ranked 19th in the country (Q3 2014/15) by SiteMorse.

All committee reports have a consultation section to ensure that effective channels of communication are in place, as part of all key decisions.

There is a presumption to hold committee meetings in public unless confidential information is being discussed e.g. financial affairs of an individual. All committee, Council and Executive meetings are webcast.

We undertake Equality Impact Assessments when introducing or reviewing services and policies to find out whether what is proposed to be done, affects different groups of people in different ways. This helps the Council shape decisions that are made in relation to improvements for residents, service users and staff.

We have complied with all requirements under the 2015 Transparency Code and have an Open Data page on our website where we have published the required data within the deadlines set by DCLG.

5. Progress to address recommendations from the Annual Audit Letter 2013/14

The Annual Audit Letter 2013/14 made a number of minor recommendations for improving internal controls and addressing other issues. An action plan to address these recommendations was formulated and presented to both the external auditor and the Audit Committee in November 2014 and these actions have all been completed.

6. Progress to address the areas of focus identified for 2014/15

During 2014/15, the following progress was made on the seven areas that were identified for specific focus in the previous year's Annual Governance Statement:

- **Business continuity** - An Organisational Resource Strategy and an Incident Management Plan were presented to Corporate Board in July 2014 and our business continuity arrangements were tested in March 2015
- **Website modernisation** - The new MVDC website went live in October 2014
- **Review of Constitution** - Technical revisions across the whole Constitution (including Financial Regulations and Contract Standing Orders) were approved by Council in February 2015
- **Review of HR policies** - We have streamlined many of our local conditions, in consultation with staff representatives and employees. HR policies are reviewed periodically on an ongoing basis as legislative and organisational change demand.
- **Review of appointments to outside bodies** - Scrutiny Committee reviewed appointments to outside bodies during 2014/15 and a new Protocol for Appointments to Outside Organisations was approved by the Council in February 2015 as part of the review of the Constitution
- **Vision and values** - MVDC's vision and values have been refreshed as part of the development of the new Corporate Strategy 2015-2019. MVDC agreed its four year Corporate Strategy 2015-19 in March 2015. It is based around a clear vision for Mole Valley, three priority outcomes of Environment, Prosperity and Community Wellbeing, and three guiding principles (sustainability, cost effectiveness, and openness and accessibility).

MVDC's new core values of Listen, Care, Respect, Trust, and Lead, were developed with staff in 2014/15. All business units contributed to this exercise in order to build staff buy-in and to develop values that are meaningful to all services. Each value has an underpinning statement to explain its application to the organisation and how this shapes our approach to our residents and customers. Each team has responsibility to demonstrate and promote the values. Managers, in particular, are expected to be role models. Future work will be done to ensure we find ways to look for, promote, retain and encourage people who can demonstrate these values.

- **Partnerships** - We have begun work to establish overarching principles governing MVDC's partnership activity and more work will be undertaken to embed this in 2015/16 (see section 7)

7. Areas of focus for 2015/16

Arising from the effectiveness review (see section 4) of MVDC's internal control and corporate governance arrangements, the following areas have been identified for specific focus during 2015/16.

Action	Timescale	Benefits
Develop a forward plan for community engagement, consultation and communication in line with our corporate priorities	September 2015	To embed an approach which delivers our guiding principle to engage with communities in an open and accessible manner
Review and update the Whistle Blowing Policy and the Anti Fraud and Corruption Policy	December 2015	To ensure that arrangements are in place which are up to date and in line with current best practice
Review and update the Procurement Strategy	December 2015	To set a clear framework for procurement that reflects current legislation, recent developments and best practice
Review and update the Asset Management Strategy and Plan	September 2015	To ensure the Authority makes the best use of resources by managing its assets in the most cost effective way
Embed principles for working in partnership	March 2016	To ensure we have robust governance arrangements for our shared services

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 James Friend