GUILDFORD BOROUGH

Statement of Accounts

2011-12

Contents

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

Opinion on the Council's financial statements

I have audited the financial statements of Guildford Borough Council for the year ended 31 March 2012 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 Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and 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 2011/12.

This report is made solely to the members of Guildford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me 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, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:
- give a true and fair view of the financial position of Guildford Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my 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 I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Council and the auditor

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

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Guildford Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Guildford Borough 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
District Auditor
25 September 2012

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the chief financial officer.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the local authority Code.

The chief financial officer has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts set out on pages 13 to 86 presents a true and fair view of the financial position of Guildford Borough Council at 31st March 2012 and of its income and expenditure for the year ended 31 March 2012.

Sue Sturgeon, CPFA
Chief Financial Officer

19 September 2012

CHIEF FINANCIAL OFFICER'S EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

The Council's statutory statement of accounts for the year 2011-12 is set out in the following pages. Local Authorities are required to prepare their accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the Local Authority Accounting Code Board comprising members from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority of Scotland Accounts Advisory Committee (LASAAC), under the oversight of the Financial Reporting Advisory Board (FRAB). It constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

From 2011-12 the Code requires the Council to separately identify heritage assets, held and maintained principally for their contribution to knowledge and culture, on the balance sheet, and recognise them at valuation where practicable. The Council owns significant heritage assets that include monuments such as Guildford Castle, as well as museum and art collections and civic regalia. The latter have been brought on to the balance sheet where practicable which has increased the reported net assets of the Council by approximately £2 million.

The complete set of financial statements comprises the:

- Movement in Reserves statement: showing the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. This statement starts with the surplus or deficit on provision of services calculated in accordance with generally accepted accounting practice and shows the adjustments to the accounts made under statutory regulations and also the discretionary transfers to or from earmarked reserves
- Comprehensive Income and Expenditure Statement: showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This statement provides the detail behind the surplus or deficit on provision of services figure included in the Movement in Reserves statement
- Balance Sheet: showing the value as at 31 March 2012 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council
- Cash Flow Statement: showing the changes in the amount of cash and cash equivalents during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- notes to the above statements: giving a summary of significant accounting policies and other explanatory information
- Housing Revenue Account: covering income and expenditure relating to the provision of council housing in accordance with Part 6 of the Local Government and Housing Act 1989. The Housing Revenue Account is ringfenced from the rest of the General Fund. Its primary purpose is to ensure that the expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants so that rents cannot be subsidised from council tax, or vice versa
- notes to the Housing Revenue Account
- Collection Fund Revenue Account: showing the transactions of the Council as a billing authority in relation to non-domestic rates and council tax. The Fund shows the way in which these have been distributed to local authorities and the Government on whose behalf Guildford Borough Council collects the amounts due

- notes to the Collection Fund.

The order in which the statement is presented is prescribed by the Code and the accounts are supported by the Statement of Accounting Policies, which is at note 1 to the accounts.

Revenue Budget - General Fund

The net budget requirement for the year 2011-12 was set in February of 2011 at £14,790,030 a decrease of 11.66 per cent on the previous year. The largest single factor in the change to the net budget requirement arose because the responsibility for the administration of concessionary fares moved from Guildford Borough Council to Surrey County Council with effect from 1 April 2011. Without this change, the decrease would have equated to 6.99 per cent. The net budget requirement is the amount the Council expects to spend after allowing for income from sources such as direct grants, fees, charges and rents but excludes income from Government formula grant and adjustments relating to the collection fund balance.

The precept requirements of the Parish Councils of £1,284,415 (an increase of 0.74 per cent) are excluded from the above figure.

The Borough Council's band D council tax was set at £144.05, the same as 2010-11.

Revenue Budget Outturn - General Fund

Total expenditure and income in the year for all services can be seen in the Comprehensive Income and Expenditure Statement.

2011-12 was a difficult budget to prepare. The Council's formula grant, which is received from the Government, was reduced by 15.2 per cent (£1.17 million) after adjusting for the changes to concessionary fares. The turmoil in the financial markets and historically low interest rates meant that estimated income from investments was approximately £500,000 lower than the previous year. The budget included challenging savings, totalling £2.3 million, to be achieved from services and the Council Tax Freeze grant offered by the Government (£206,000) was accepted in order to hold the band D council tax at the same level as 2010-11 (£144.05).

Performance against budget was monitored closely through the year with particular attention paid to control of the establishment and achievement of the service savings included in the budget. As a result of this strong financial management net expenditure at service unit level was £1.755 million lower than originally budgeted, after allowing for accounting adjustments and other items that do not impact on the level of council tax. This is 2.1 per cent of the total relevant gross expenditure budgets.

A detailed analysis of the variances in service expenditure can be found in the Final Accounts report to the Executive of 21 June 2012, which is available on the Council's web site, www.guildford.gov.uk at Final Accounts Report. The major items include:

- a reduction in salary and associated costs of £693,000 due to the management of vacancies throughout the year, including posts held vacant pending service restructures, which has the benefit of keeping compulsory redundancies to a minimum. This figure excludes the salaries related to Ash Manor, Spectrum and the Lido as these services were outsourced during the year

- net additional Housing Benefit grant income of £379,000 which includes an adjustment of £102,000 relating to 2010-11 (due to amendments at audit of the final claim) and £267,000 related to invoices raised for overpayment recovery
- additional income from the waste paper recycling contract, offset by additional service costs, of £260,000
- additional income from off street car parks of £193,000.

The Council receives interest on external investments with a value of approximately £64 million. Overall interest returns in the year were approximately £39,000 more than the anticipated £804,000.

In setting the 2011-12 budget a minimum revenue provision of £175,000 was assumed, based on the expected Capital Financing Requirement (CFR) at 31 March 2011. This actual CFR was nil and therefore no minimum revenue provision payment was required.
Finally, New Homes Bonus (NHB) grant of £138,000 was received in the year from the Government. This was not included in the estimates as the NHB scheme was new and it was not clear what level of grant the Council might get.

Overall the net expenditure on the General Fund was lower than the original estimate to the value of £2.107 million. This has been utilised as follows:

- a contribution of £169,000 to the Insurance reserve in relation to a Scheme of Arrangement levy that may be triggered by Municipal Mutual Insurance Ltd (MMI) as a result of their potential liability for asbestos induced mesothelioma claims. The Council already had £339,000 cover within the insurance reserve and a further contribution of £169,000 is included in these accounts to give a total of £508,000, equivalent to a 75 per cent levy
- a contribution of £600,000 to the Invest to Save reserve which can be used to support future transformational change
- a contribution of £267,000 to the bad debt provision in relation to Housing Benefit overpayments raised in the year that are likely to be very difficult to recover, particularly when the Council is no longer responsible for Housing Benefit administration
- a contribution of £23,000 to the Leisure Management Contract reserve. The Leisure Management contract was operational from 1 November 2011 and states that a minimum of 50 per cent of any surplus must be put in a reserve to be reinvested in the leisure facilities. This additional contribution means that the entire surplus achieved in the first five months of the contract has been put in the reserve as it is likely that the Council and operator will want to discuss possible schemes to maintain or improve the performance of the facilities
- a contribution of approximately £1.048 million to the capital schemes reserve as the Council has a significant capital programme that is not fully funded; there is an underlying need to borrow that is currently estimated to be £12.9 million by 31 March 2014.

Reserves and Balances

A full list of reserves and balances is no longer included in the Statement of Accounts, however it can be found in the Final Accounts report to the Executive on 21 June 2011. Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 9 to the accounts.

During the year the Council paid over the majority of the balance on the Parking Highways and Transportation reserve to Surrey County Council (£2.6 million). A small amount (£173,000) was retained and transferred to the carried forward items reserve. It is to be used to finance on street parking works in 2012-13. The payment is included in the Highways and Transport Services line in the Comprehensive Income and Expenditure Statement.

A bad debt provision is maintained at a suitable level including sufficient provision to meet all likely non-collectable local taxation.

Council Tax and Uniform Business Rates

A high level of collection performance was maintained in the year. The council tax collectable debit for 2011-12 was £85.3 million and 99.21 per cent had been collected by 31 March 2012. At the same time 99.2 per cent of the collectable debit for non domestic rates (£73.8 million) had been collected.

Housing Revenue Account (HRA)

Details of the Housing Revenue Account can be found on pages 80 to 84 of the Statement of Accounts. 2011-12 was intended to be the final year of the Government's rent restructuring policy, which aimed to bring council house rents in line with registered social landlord rents over ten years.

In recent years the Government has moved the convergence date around to either increase or reduce the overall level of rent increase. The use of this mechanism has enabled rent affordability to be maintained for tenants in the difficult economic climate. The current convergence date is 2015-16.

The Council agreed a rent increase, in line with Government guidance, of 5.1 per cent resulting in an average rent of £95.43 per week.

Costs and subsidy on rent rebates have been accounted for within the General Fund since April 2004, except for the element of cost that relates to previous years' average rents being above Government guideline levels. This cost remains in the HRA and was £242,639 for 2011-12. Subsidy of £12.325 million was paid to central government after allowing for receipt of the Major Repairs Allowance of £4.078 million.

Spend on responsive and planned maintenance was £450,000 lower than estimated, mainly due to lower demand and increased investment in previous years. Employee related expenditure was £245,000 lower than estimated, as a result of the deferral of recruitment to some posts.

The Housing Revenue Account subsidy system was replaced on the 1 April 2012 with a new self-financing arrangement. In preparation for this change the Council was required to pay £192,435,000 to the Government on 28 March 2012. This was funded with loans from the Public Works Loan Board. The loans have been recognised in the HRA income and expenditure account prior to being reversed out within the adjustments between accounting basis and funding basis under regulations (Note 8). Therefore there is no overall affect on the revenue account and the debt is held on the balance sheet.

The Government funded Major Repairs Allowance of £4.078 million was transferred to the Major Repairs reserve but was used to support housing capital expenditure, leaving a nil balance at 31 March 2012.

A sum of £1.956 million was transferred to the HRA Capital Programme reserve.

The level of balance on the Housing Revenue Account was increased to £2.5 million as at 31 March 2012.

The reserve held to fund future capital expenditure on the housing stock had a balance at 31 March 2012 of £17.256 million.

Capital Expenditure

Capital expenditure in the year totalled £13.2 million. Financing was provided from internal resources such as sales of assets, the HRA Major Repairs reserve, contributions from revenue and contributions from third parties.

This year the major areas of capital spend relating to housing were on council house modernisation and renovations (£5.4 million), housing improvement grants (£655,000), affordable housing projects (£148,000) and equity share property repurchases (£65,000).

Non-housing expenditure included G Live (£3.6 million), consolidation of the Council's property interests at Midleton Industrial Estate (£702,000), various schemes at Spectrum (£540,000), and decking at York Road Car Park (£338,000).

Internal sources of funds available at 31 March 2012 to meet future capital expenditure were:

- usable capital receipts £18.8 million
- General Fund capital programme reserve £4.1 million
- Housing capital programme reserve £17.2 million

Treasury Management

Investments at 31 March 2012 totalled £63.8 million, which is made up of £42.5 million deposits for less than one year duration, long term investments £15.3 million and externally managed funds £6.0 million.

Gross interest received in the year from investments was £970,000 against a budget of £891,000.

The Council internally borrowed £3.6 million for G Live capital expenditure. As a result of the Government decision to reform Housing Finance, the Council took on external loans totalling £192.435 million on 28 March 2012, of which £147.435 million was fixed at an average rate of 3.29 per cent and £45 million was variable at a rate of 0.62 per cent.

The investment markets remained extremely challenging, base rate was held at 0.5 per cent and the Council continued its focus on preserving capital whilst optimising interest earnings.

A full report on the Treasury Management activities of the Council can be found in a report to the Executive of 21 June 2012 which is also available on the Council's web site, www.guildford.gov.uk at Treasury Management Annual Report

Pension liability

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. The Council participates in the Local Government Pension Scheme administered by Surrey County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

During 2010 the pension fund actuaries, Hymans Robertson, concluded a triennial review of the fund at 31 March 2010 and 2011-12 was the first year of implementation. The actuary recommended that a stabilisation model be implemented that maintained the Council's contribution rates and the same level as 2010-11.

The Council accounts for pension costs based on International Accounting Standard (IAS) 19; Employee Benefits. This standard requires that the cost of retirement benefits are reported when they are earned by employees rather than when the benefits are paid as pension. Legislation prevents this cost impacting on council tax and housing rent levels which are based on the cash payable in the year. The difference is adjusted in the accounts by a transfer to or from a statutory Pensions reserve.

The accounts, based on IAS 19, show a total pension fund liability of £57 million (£45.6 million in 2010-11) which has a substantial impact on the net worth of the authority as recorded in the balance sheet. However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. It is important to remember that pensions are long term assets and liabilities and the IAS 19 figures disclose the position at a point in time based on the actuary's financial assumptions.

The Government commissioned a review of public sector pensions by Lord Hutton of Furness which recommended significant changes to public pensions and negotiations are currently underway between the Government and the employers with a view to agreeing changes that will make the scheme sustainable in the long term.

Conclusion

For the year under review the net financial result is pleasing. The Council has been able to maintain a high level of performance in the delivery of its services, and at the same time increase its reserves and provisions to a level adequate to meet all known liabilities and invest in transformational change.

In these circumstances the Council's finances continue to be in a stable and healthy condition, although there are significant financial challenges in the years to come particularly around the localisation of support for council tax and the localisation of business rates, both of which have the potential to adversely affect the Council's finances. The broader welfare reform agenda is also likely to put pressure on Council services, particularly in the area of housing and homelessness.

The Council is well placed to meet these challenges and has a programme of measures to deliver savings for 2012-13 and future years; although at the present time it is difficult to estimate the level of savings required with much certainty.

Sue Sturgeon, CPFA
Chief Financial Officer
19 September 2012

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	3,748	25,835	1,900	13,726	21,717	0	222	67,148	601,134	668,282
Movement in Reserves during 2010-11										
Surplus/(deficit) on the provision of services	8,387		(56,263)					(47,876)		(47,876)
Other Comprehensive Income and Expenditure									875	875
Total Comprehensive Income and Expenditure	**8,387**	**0**	**(56,263)**	**0**	**0**	**0**	**0**	**(47,876)**	**875**	**(47,001)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(15,275)		59,165		(2,471)		(93)	41,326	(41,326)	
Net Increase/Decrease before Transfers to Earmarked Reserves	**(6,888)**	**0**	**2,902**	**0**	**(2,471)**	**0**	**(93)**	**(6,550)**	**(40,451)**	**(47,001)**
Transfers to/from Earmarked Reserves (Note 9)	6,888	(6,888)	(2,902)	2,902						
Increase / Decrease in 2010-11	0	(6,888)	0	2,902	(2,471)	0	(93)	(6,550)	(40,451)	(47,001)
Balance at 31 March 2011 carried forward	3,748	18,947	1,900	16,628	19,246	0	129	60,598	560,683	621,281

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 carried forward (restated)	3,748	18,947	1,900	16,628	19,246	0	129	60,598	560,683	621,281
Movement in Reserves during 2011-12										
Surplus/(deficit) on the provision of services	(6,148)		(193,192)					(199,340)		(199,340)
Other Comprehensive Income and Expenditure									3,925	3,925
Total Comprehensive Income and Expenditure	**(6,148)**	**0**	**(193,192)**	**0**	**0**	**0**	**0**	**(199,340)**	**3,925**	**(195,415)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	5,602		194,421		(444)		(99)	199,480	(199,480)	
Net Increase/Decrease before Transfers to Earmarked Reserves	**(546)**	**0**	**1,229**	**0**	**(444)**	**0**	**(99)**	**140**	**(195,555)**	**(195,415)**
Transfers to/from Earmarked Reserves (Note 9)	546	(546)	(629)	629						
Increase / Decrease in 2011-12	0	(546)	600	629	(444)	0	(99)	140	(195,555)	(195,415)
Balance at 31 March 2012 carried forward	3,748	18,401	2,500	17,257	18,802	0	30	60,738	365,128	425,866

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010-11					2011-12		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
2,062	858	1,204	Central services to the public		1,940	841	1,099
18,888	9,804	9,084	Cultural and Related Services		16,512	7,340	9,172
17,092	7,065	10,027	Environmental and Regulatory Services		16,643	6,861	9,782
5,588	1,574	4,014	Planning Services		6,111	1,722	4,389
7,871	11,050	(3,179)	Highways and transport services		8,992	10,911	(1,919)
59,997	0	59,997	Local authority housing (HRA) - revaluation losses on dwellings		0	0	0
0	0	0	Local authority housing (HRA) - settlement payment to Government for HRA self-financing		192,435	0	192,435
29,155	31,833	(2,678)	Local authority housing (HRA) - other		33,930	32,740	1,190
43,715	42,316	1,399	Other housing services		45,434	43,877	1,557
3,914	2,304	1,610	Adult social care		3,107	1,580	1,527
4,185	767	3,418	Corporate and democratic core		4,815	757	4,058
(18,338)	0	(18,338)	Non distributed costs - change in inflation factor for retirement benefits		0	0	0
32	0	32	Non distributed costs - other		(706)	0	(706)
174,161	**107,571**	**66,590**	**Cost of Services**		**329,213**	**106,629**	**222,584**
		1,858	Other operating expenditure	10			1,757
		(1,489)	Financing and investment income and expenditure	11			(7,430)
		(19,083)	Taxation and non-specific grant income	12			(17,571)
		47,876	**Deficit on Provision of Services**				199,340
		7,036	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(16,347)
		173	Deficit on revaluation of available for sale financial assets				205
		(8,084)	Actuarial (gains) / losses on pension assets / liabilities				12,217
		(875)	**Other Comprehensive Income and Expenditure**				(3,925)
		47,001	**Total Comprehensive Income and Expenditure**				195,415

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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'.

1 April 2010 £000 (Restated)	**31 March 2011 £000 (Restated)**		**Notes**	**31 March 2012 £000**
592,844	530,471	Property, Plant & Equipment	13	539,939
3,279	3,279	Heritage Assets	14	3,334
79,872	76,427	Investment Property	15	78,941
957	737	Intangible Assets	16	595
14,657	14,417	Long Term Investments	17	7,003
145	97	Long Term Debtors	17	87
691,754	**625,428**	**Long Term Assets**		**629,899**
39,932	35,096	Short Term Investments	17	17,065
758	0	Assets Held for Sale	22	0
201	273	Inventories	18	471
7,993	6,507	Short Term Debtors	20	5,514
12,230	16,221	Cash and Cash Equivalents	21	40,210
61,114	**58,097**	**Current Assets**		**63,260**
(152)	(156)	Short Term Borrowing	17	(270)
(12,467)	(13,877)	Short Term Creditors	23	(15,272)
(245)	(297)	Provisions	24	(476)
(12,864)	**(14,330)**	**Current Liabilities**		**(16,018)**
(113)	(2,300)	Long Term Borrowing	17	(194,275)
(71,609)	(45,614)	Other Long Term Liabilities	43	(57,000)
(71,722)	**(47,914)**	**Long Term Liabilities**		**(251,275)**
668,282	**621,281**	**Net Assets**		**425,866**
67,148	60,598	Usable Reserves	25	60,738
601,134	560,683	Unusable Reserves	26	365,128
668,282	**621,281**	**Total Reserves**		**425,866**

CASH FLOW STATEMENT

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

2010-11 £000		2011-12 £000
(47,876)	Net deficit on the provision of services	(199,340)
106,458	Adjustments for non-cash movements	16,730
(47,093)	Adjustments for items included in the net deficit that are investing and financing activities	(3,647)
11,489	Net cash flows from Operating Activities (Note 27)	(186,257)
(10,512)	Investing Activities (Note 28)	17,652
3,014	Financing Activities (Note 29)	192,594
3,991	Net increase in cash and cash equivalents	23,989
12,230	Cash and cash equivalents at the beginning of the reporting period	16,221
16,221	Cash and cash equivalents at the end of the reporting period (Note 21)	40,210

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011-12 financial year and its position at the year-end of 31 March 2012. The Accounts and Audit Regulations 2011 require the Council to prepare its annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 and the Service Reporting Code of Practice 2011-12, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

Financial transactions are accounted for in the year that the activity takes place which is not necessarily the same period that the cash payments or receipts in respect of the transaction occur. In particular:

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

iii. Cash and Cash Equivalents

Cash includes cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours e.g. call accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value, and include money market funds.

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 Council's cash management.

iv. Exceptional Items

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

v. 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 where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council'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.

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits
Benefits Payable during Employment

Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which the individual employee provides service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Most of the Council's employees are members of the Local Government Pension Scheme administered by Surrey County Council. The scheme provides defined benefits earned as Council employees (retirement lump sums and pensions) to members and is accounted for as a defined benefits scheme where:

- the liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees
- liabilities are discounted to their value at current prices, using a discount rate of 4.8 per cent (based on the indicative rate of return on high quality corporate bond over a range of periods)
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value using the following bases:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- the change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions that relate to years of service earned in earlier years – charged to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Finance and Investment Expenditure in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees charged or credited, as appropriate, to the Provision of Services costs in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited (or credited) to the Pensions Reserve
- contributions paid to the Surrey County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise 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.

viii. Events after the Reporting Period

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

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

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

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

ix. Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council 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 most of the borrowings that the Council 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.

Financial Assets
Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

<u>Loans and Receivables</u>
Loans and receivables are recognised on the Balance Sheet when the Council 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 Council 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.

The Council has made a number of loans to staff to purchase a car. These loans are carried at cost on the basis that this is considered to be materially close to fair value. 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 charged as appropriate to the Comprehensive Income and Expenditure Statement.

<u>Available-for-Sale Assets</u>
Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment line of the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when it is reasonable to conclude that:

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received or have been received.

Amounts recognised as due are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired in the form of the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, attributable revenue grants and contributions are credited to the relevant service line and non-ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Where capital grants or contributions 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 a contribution has yet to be used to finance capital expenditure, it is posted to the Capital Contributions Unapplied reserve. Where a grant or contribution has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied.

Where it is uncertain whether a grant or contribution will be used for capital or revenue purposes, the grant will be credited to an earmarked reserve.

xi. Heritage Assets

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

- Monuments, including Guildford Castle and Chilworth Gunpowder Mills

  These assets are ruins for which it is not possible to obtain a current valuation. They are held on the balance sheet at historical cost and are not subject to depreciation as they have indefinite lives.

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

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

- various sculptures and pieces of artwork around the Borough

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

- the museum collection held at Guildford Museum

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

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

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

Expenditure on the development of the Council's website has not been capitalised because the purpose of the project has been primarily to promote and advertise the Council's services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. 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 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 sale proceeds greater than £10,000) the Capital Receipts reserve.

xiii. Inventories

Inventories are included in the Balance Sheet at cost on the basis that this is not materially different from the recommended practice of carrying inventory items at the lower of cost or net realisable value.

xiv. Investment Property

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

The value of an investment property is initially measured at cost. Thereafter, it is measured at fair value which is based on the amount at which the asset could be exchanged between two separate and knowledgeable parties. Investment properties are not depreciated but are revalued annually according to market conditions at 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 as are any gains or losses on disposal.

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

xv. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Council as Lessee</u>

Finance Leases
Property, Plant and Equipment (PPE) held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (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.
Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – 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).

PPE recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

<u>The Council as Lessor</u>

Finance Leases
Where the Council grants a finance lease for an item of PPE, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is also credited to the Comprehensive Income and Expenditure Statement 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 asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property which is applied to write down the value of the lease liability; and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Any surplus created by disposing of the asset is credited to the Comprehensive Income and Expenditure Statement. However, because statute does not permit any surplus on disposal to increase the General Fund Balance and for the full disposal proceeds to be treated as a capital receipt, any surplus is transferred from 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 amount is transferred from the General Fund Balance to the Deferred Capital Receipts reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset and 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Council grants an operating lease for an item of PPE, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement 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).

xvii. Overheads and Support Services

The costs of overheads and support services are allocated in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011-12 (SeRCOP). The total absorption costing principle is used where the full cost of overheads and support services are allocated, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

xviii. Property, Plant and Equipment (PPE)

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

Recognition

Expenditure (including any amounts owed to third parties) on the acquisition, creation or enhancement of PPE is capitalised if it is probable that the item of PPE will generate future economic benefits and/or service potential and the cost of the item can be measured reliably. Expenditure that does not enhance an asset such as repairs and maintenance expenditure is not capitalised and is charged to the Comprehensive Income and Expenditure Statement as an expense when it is incurred.

Measurement

PPE assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of any future decommissioning costs that will be necessary

such as dismantling an item or restoring a site upon which the asset it is located.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Comprehensive Income and Expenditure Statement and 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 are valued at historical cost (depreciated as appropriate)
- dwellings are valued at fair value which is determined by estimating the value of the dwelling for its existing use as a social housing dwelling
- all other assets are valued at "fair value" which is the estimated amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are credited to the Revaluation reserve (unless there has been a previous reduction in valuation that has been charged to the Comprehensive Income and Expenditure Statement in which case it is credited to the Comprehensive Income and Expenditure Statement).

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

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

The Revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains and losses that arose prior to 1 April 2007 have been transferred to the Capital Adjustment Account.

<u>Impairment</u>

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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell, and is no longer subject to depreciation. Where there is a subsequent decrease to fair value less costs to sell, the loss is charged to the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of (or decommissioned), the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the 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). Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (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 Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

Depreciation is provided for on PPE assets that are available for use by the systematic allocation of their depreciable amounts over their useful lives. However, assets that do not have a determinable finite useful life such as freehold land are not depreciated. In addition, assets that are in the course of construction and therefore not yet available for use are also not depreciated.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property, as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 10 years.

Where an item of PPE has major components where the cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council's policy is to componentise assets (excluding land) with a value grater than £1 million and where the component(s) comprise more that 20 per cent of the value of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation reserve to the Capital Adjustment Account.

xix. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>
Provisions are created when the Council has an obligation such as a legal claim against it that has arisen from a past event and it is probable that the Council will need to settle that obligation. In addition, it is necessary that the obligation can be reliably estimated. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. It is then estimated at the balance sheet date, taking into account relevant risks and uncertainties. When payments are made to clear the obligation, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where necessary revised. If there is a need to increase the provision, the additional amount is charged to the relevant service in the Consolidated Income and Expenditure Account. If, however, the obligation is estimated or ultimately proves to be less than the value of the provision, the excess amount is credited to the relevant service in the Consolidated Income and Expenditure Account.

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 Council settles the obligation.

<u>Contingent Liabilities</u>
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed as a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed as a note to the accounts.

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year in the 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 and retirement benefits and that do not represent usable resources for the Council.

xxi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

2. PRIOR YEAR ADJUSTMENTS

For 2011-12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in Note 1: Accounting Policies.

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets at £990,000 should now be recognised as heritage assets. The Council has also recognised an additional £2.3 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet, with a corresponding increase in the Revaluation Reserve. The 1 April 2010 and 31

March 2011 comparative figures have thus been restated in the 2011-12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- at 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £3.3 million. The element that was previously recognised in property, plant and equipment has been reclassified. The revaluation reserve has increased by £2.3 million
- the adjustments that have been made to the fully restated 1 April 2010 and 31 March 2011 Balance Sheets over the versions published in the 2010-11 Statement of Accounts are as follows:

Opening 1 April 2010 Balance Sheet

	2010-11 Statements £000	**Adjustments Made £000**
Property, Plant & Equipment	593,835	(991)
Heritage Assets	0	3,279
Unusable Reserves	598,780	2,288

31 March 2011 Balance Sheet

	2010-11 Statements £000	**Adjustments Made £000**
Property, Plant & Equipment	531,462	(991)
Heritage Assets	0	3,279
Unusable Reserves	560,683	2,288

In addition the opportunity was taken to correct two previously unidentified minor errors in the comparative year's figures:

- The balance on the Collection fund relating to the Council had been treated as a debtor but should have been transferred to the Collection Fund adjustment Account
- On IFRS restatement in 2010-11 a finance lease in respect of vehicles was recognised in the accounts as if it had begun in 2008-09 but payments had actually commenced in 2007-08, resulting in an overstatement of long term borrowing

The adjustments that have been made to correct these errors are as follows:

31 March 2011 Balance Sheet

	2010-11 Statements £000	**Adjustments Made £000**
Collection Fund:		
Short term debtors	6,563	(56)
Unusable Reserves	560,683	(56)
Finance lease:		
Long term borrowing	(2,421)	121
Unusable Reserves	560,683	121

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

For 2011-12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). It is not anticipated that adoption of this Standard would have any material impact on the accounts.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council 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:

- there is a degree of uncertainty about future levels of funding for local government but the Council has determined that this uncertainty does not indicate that the assets of the Council might be impaired
- debts are reported at the amounts likely to be recovered and the assessment of the amount that is estimated to be doubtful is based on historical experience of debtor default.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the Council's Balance Sheet at 31 March 2012 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property, Plant and Equipment (PPE)	Individual items of PPE are depreciated over estimated useful lives that are partly dependent upon assumptions about the level of repairs and maintenance that will take place. If the Council were not able to sustain its level of spending on the repair and maintenance of its assets in the long term the estimated useful life assigned to individual assets would need to be reduced.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Depreciation costs do not affect the Council's overall financial position as they form part of the adjustment between accounting basis and funding basis under regulations.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £16.330m. A one year increase in member life expectancy would result in an increase in the pension liability of £4.958m. A 0.5% increase in the Salary increase rate would result in an increase in the pension liability of £4.111m and a 0.5 increase in the Pensions increase rate would result in an increase in the pension liability of £12.135m During 2011-12, the Council's actuaries advised that the net pensions liability had increased by £11.386m. This is principally because financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011.
Debtors	At 31 March 2012 the Council was owed approximately £8m. A review of significant balances suggested that an allowance for	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £790,000 to

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	doubtful debts of £2.5m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	set aside as an allowance.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

6. MATERIAL ITEMS OF INCOME AND EXPENSE

The gross expenditure in the highways and transport services line in the CIES includes a £2.557 million payment to Surrey County Council which represents the transfer of the accumulated surplus as at 31 March 2012 on the parking enforcement agency service as a result of changes to the agreement.

7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 19 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2011-12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charge for depreciation of non-current assets	5,258	5,294				(10,552)
Revaluation losses on Property Plant and Equipment	3,270	2,955				(6,225)
Movements in the market value of Investment Properties	(2,850)					2,850
Amortisation of intangible assets	312					(312)
Revenue expenditure funded from capital under statute	1,532	2				(1,534)
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	1,338	566				(1,904)
HRA reform		192,435				(192,435)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(113)					113
Capital expenditure charged against the General Fund and HRA balances	(897)	(1,328)				2,225

2011-12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and expenditure Statement	(1,109)				1,109	
Application of grants and contributions to capital financing transferred to the Capital adjustment account					(1,208)	1,208
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,273)	(1,265)	2,538			
Use of the Capital Receipts Reserve to finance new capital expenditure			(2,063)			2,063
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	919		(919)			
Adjustments involving the Accumulating Compensated Absences Adjustment Account						
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	(74)					74
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(4,078)		4,078		
Use of the Major Repairs Reserve to finance new capital expenditure				(4,078)		4,078

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Financial Instraments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		4				(4)
adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	3,651	318				(3,969)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,318)	(482)				4,800
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(44)					44
Total adjustments	5,602	194,421	(444)	0	(99)	(199,480)

2010-11 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charge for depreciation of non-current assets	4,893	5,033				(9,926)
Revaluation losses on Property Plant and Equipment	4,802	59,997				(64,799)
Movements in the market value of Investment Properties	2,775					(2,775)
Amortisation of intangible assets	380					(380)
Revenue expenditure funded from capital under statute	1,606	38				(1,644)
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	1,447	868				(2,315)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(470)					470
Capital expenditure charged against the General Fund and HRA balances	(12,319)	(469)				12,788

2010-11 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and expenditure Statement	(1,020)				1,020	
Application of grants and contributions to capital financing transferred to the Capital adjustment account					(1,113)	1,113
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,116)	(2,127)	3,243			
Use of the Capital Receipts Reserve to finance new capital expenditure			(4,204)			4,204
Contribution form the Capital Receipts Reserve towards the commutation adjustment						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,511		(1,511)			
Adjustments involving the Accumulating Compensated Absences Adjustment Account						
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	(13)					13
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(3,973)		3,973		
Use of the Major Repairs Reserve to finance new capital expenditure				(3,973)		3,973

2010-11 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Financial Instraments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(35)				35
adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(13,491)	359				13,132
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,255)	(526)				4,781
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5)					5
Total adjustments	(15,275)	59,165	(2,471)	0	(93)	(41,326)

9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011-12.

	Balance at 31 March 2010 £000	Transfers In 2010-11 £000	Transfers Out 2010-11 £000	Balance at 31 March 2011 £000	Transfers In 2011-12 £000	Transfers Out 2011-12 £000	Balance at 31 March 2012 £000
General fund:							
Car Parks Income	613	-	192	421		115	306
Car Parks Maintenance	2,027	769	325	2,471	692	411	2,752
Insurance	888	31	-	919	243	29	1,133
Invest to Save	1,014	778	307	1,485	871	980	1,376
IT Renewals	873	432	312	993	339	215	1,117
LAGBI Grant	1,347	-	124	1,223	-	153	1,070
Capital Schemes	11,287	2,780	11,415	2,652	1,545	10	4,187
Park and Ride	1,650	-	-	1,650	-	-	1,650
Parking, Highways & Transportation	2,588	513	371	2,730	-	2,730	-
Pension	-	600	-	600	200	-	800
Other earmarked reserves	3,548	1,384	1,129	3,803	1,478	1,271	4,010
Total	**25,835**	**7,287**	**14,175**	**18,947**	5,368	5,914	18,401
HRA:							
Capital Programme	13,726	3,333	431	16,628	1,957	1,328	17,257
Total	**13,726**	**3,333**	**431**	**16,628**	1,957	1,328	17,257

10. OTHER OPERATING EXPENDITURE

2010-11 £000		2011-12 £000
1,275	Parish council Precepts	1,284
1,511	Payments to the government Housing Capital Receipts Pool	919
(928)	Gains on the disposal of non-current assets	(446)
1,858		**1,757**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010-11 £000		2011-12 £000
23	Interest payable and similar charges	143
1,378	Pensions interest cost and expected return on pensions assets	960
(1,562)	Interest receivable and similar income	(1,103)
(1,328)	Income and expenditure in relation to investment properties and changes in their fair value	(7,430)
(1,489)		**(7,430)**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2010-11		2011-12
£000		**£000**
(9,520)	Council tax income	(9,574)
(7,424)	Non domestic rates	(4,999)
(1,119)	Non-ringfenced government grants	(1,889)
(1,020)	Capital grants and contributions	(1,109)
(19,083)		**(17,571)**

13. PROPERTY, PLANT AND EQUIPMENT

	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2011	353,744	147,086	18,042	4,073	4,397	45	25,539	552,926
Additions	5,470	571	1,246	0	164	0	3,314	10,765
Disposals	(574)	(131)	(292)	0	(80)	0	0	(1,077)
Revaluations	1,749	2,725	0	0	0	60	0	4,534
Transfers	(80)	27,430	0	38	61	740	(28,189)	0
At 31 March 2012	360,309	177,681	18,995	4,111	4,542	845	664	567,147
Accumulated Depreciation and Impairment								
At 1 April 2011	5,178	3,262	10,475	3,540	0	0	0	22,455
Charge for 2011-12	5,240	3,402	1,812	98	0	0	0	10,552
Disposals	(8)	(15)	(188)	0	0	0	0	(211)
Revaluations	(5,336)	(252)	0	0	0	0	0	(5,588)
Transfers	(23)	23	0	0	0	0	0	0
At 31 March 2012	5,051	6,420	12,099	3,638	0	0	0	27,208
Net book Value								
As at 31 March 2012	355,258	171,261	6,896	473	4,542	845	664	539,939
as at 31 March 2011	348,566	143,824	7,567	533	4,397	45	25,539	530,471

Comparative movements in 2010-11(restated):

	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2010	455,131	118,482	17,602	4,073	4,228	195	12,047	611,758
Additions	4,504	1,210	857	0	193	0	13,492	20,256
Disposals	(868)	0	(417)	0	0	0	0	(1,285)
Revaluations	(105,023)	26,999	0	0	221	0	0	(77,803)
Transfers	0	395	0	0	(245)	(150)	0	0
At 31 March 2011	353,744	147,086	18,042	4,073	4,397	45	25,539	552,926
Accumulated Depreciation and Impairment								
At 1 April 2010	3,601	2,921	8,979	3,413	0	0	0	18,914
Charge for 2010-11	4,980	2,906	1,913	127	0	0	0	9,926
Disposals	0	0	(417)	0	0	0	0	(417)
Revaluations	(3,403)	(2,565)	0	0	0	0	0	(5,968)
At 31 March 2011	5,178	3,262	10,475	3,540	0	0	0	22,455
Net book Value								
As at 31 March 2011	348,566	143,824	7,567	533	4,397	45	25,539	530,471
as at 31 March 2010	451,530	115,561	8,623	660	4,228	195	12,047	592,844

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

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

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012-13 and future years budgeted to cost £649,000. Similar commitments at 31 March 2011 were £3.017 million.

The major commitments are:

- Guildhall roof refurbishment £153K
- Stoke Park skateboard park £230K
- Tilehouse Open space £100K

Revaluations

The freehold and leasehold properties, which comprise the authority's property portfolio, are revalued on the basis of a five-year rolling programme, which began in 1995-96. Accordingly a proportion of these properties have been revalued as at April 2012 by Vail Williams and Wilks Head and Eve, chartered surveyors, on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Inspections were carried out between April 2011 and March 2012.

Properties regarded by the authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded by the authority as non-operational have been valued on the basis of open market value.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not an apportioned valuation of the portfolio valued as a whole.

The following statement shows the progress of the Council's rolling programme for the revaluation of PPE assets:

	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost			18,995		18,995
Valued at fair value as at:					
31-Mar-12	360,309	39,889		800	400,998
31-Mar-11		98,269			98,269
31-Mar-10		32,166			32,166
31-Mar-09		7,210		45	7,255
31-Mar-08		147			147
Total Cost or Valuation	360,309	177,681	18,995	845	557,830

14. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Monuments £000	Civic Regalia etc £000	Art Collection £000	Total Assets £000
Cost or Valuation				
At 1 April 2010	885	1759	635	3,279
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Transfers	-	-	-	-
At 31 March 2011	885	1,759	635	3,279
Cost or Valuation				
At 1 April 2011	885	1,759	635	3,279
Additions	4	-	51	55
Disposals	-	-	-	-
Revaluations	-	-	-	-
Transfers	-	-	-	-
At 31 March 2012	889	1,759	686	3,334

There have been no disposals of heritage assets in the last five years. It is not practicable to provide a summary of other transactions for any period before 1 April 2010.

Civic Regalia

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

Art Collection

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

The acquisition and disposal policy for the art collection is available from the Council's Heritage Manager.

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

Museum Collections

Guildford Museum collects, preserves and interprets the human heritage of the Borough of Guildford, and its Surrey backdrop, for the public benefit. Its collections contain material of local, regional, national and international importance and form a unique cultural asset and resource for Guildford Borough, its people and its visitors.

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

An Acquisition and Disposal Policy, ratified by its governing body, is a requirement of Museum Accreditation, the national standards scheme for museums. A copy of Guildford Museum's Acquisition and Disposal Policy is published and reviewed at least every five years. A copy is lodged with South Eastern Museums, Libraries and Archives Council (SEMLAC) and with other appropriate museums in Surrey. It is also made available on Guildford Museum's website, at www.guildford.gov.uk.

15. INVESTMENT PROPERTY

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:

2010-11 £000		2011-12 £000
4,963	Rental income from investment property	4,974
758	Direct operating expenses arising from investment property	540
4,205	Net gain/(loss)	4,434

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

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

2010-11 £000		2011-12 £000
79,872	Balance at start of the year	76,427
0	Additions	702
(670)	Disposals	(1,038)
(2,775)	Net gains / losses from fair value adjustments	2,850
76,427	Balance at end of the year	78,941

16. INTANGIBLE ASSETS

The Council 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 only include purchased licences as the Council does not have any significant internally generated

software.
All software is given a finite useful life of 5 years based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis. £305,742 of the amortisation of £312,217 charged to revenue in 2011-12 was charged to the IT renewals revenue account where it offsets the income to the account which is based on repayment of the expenditure incurred on the software. The remainder of the amortisation was charged to the building maintenance cost centre.

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

2010-11 £000		2011-12 £000
	Balance at start of the year:	
2,369	Gross carrying amount	2,529
(1,412)	Accumulated amortisation	(1,792)
957	Net carrying amount at start of year	737
160	Purchases	170
(380)	Amortisation for the period	(312)
737	Net carrying amount at end of year	595
	Comprising:	
2,529	Gross carrying amount	2,699
(1,792)	Accumulated amortisation	(2,104)

17. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

Financial instruments are both financial assets and financial liabilities.

Financial Liabilities

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

The Council's loan portfolio at the end of the year consisted of Public Works Loan Board (PWLB) debt. During the year, temporary borrowing for cash flow purposes was also undertaken. At the end of 2011-12, the Council took out £192.3 million of PWLB debt to "buy itself" out of the HRA Subsidy System.

Under the 2011-12 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

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

There are three classifications for financial assets under the Code of Practice:

- loans and receivables
- available for sale
- fair value through profit and loss

The Council's portfolio of investments consists of fixed term deposits, money market funds, call accounts and supranational/government bonds. Term deposits and call accounts are classed as 'loans and receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Money market funds, supernational/government bonds and pooled funds, such as Payden Sterling Reserve Fund and Investec, are classed as 'available for sale'.

Trade receivables (i.e. trade debtors) are classified as 'loans and receivables' and have been measured at cost on the balance sheet.

Balances in money market funds and call accounts at the end of the year are shown under 'cash and cash equivalents' in the balance sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

The Council does not have any investments required to be measured at 'fair value through profit or loss'.

The portion of long term liabilities and investments due to be settled within 12 months of the balance sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'.

Transaction Costs

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these costs are considered to be immaterial, they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council adopted this latter approach in 2011-12.

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

	Long-term			Current		
	31 March 2012 £000	**31 March 2011 £000**	**1 April 2010 £000**	**31 March 2012 £000**	**31 March 2011 £000**	**1 April 2010 £000**
Investments						
Loans and Receivables	2,000	0	0	20,385	39,982	41,330
Available-for-sale investments	5,003	14,417	14,657	36,188	10,302	8,931
Fair value through profit and loss	0	0	0	0	0	0
Total Investments	7,003	14,417	14,657	56,573	50,284	50,261
Trade Receivables carried at contract amount	87	97	145	3,922	4,408	5,203
TOTAL FINANCIAL ASSETS	**7,090**	**14,514**	**14,802**	**60,495**	**54,692**	**55,464**
Financial Liabilities at amortised cost	194,275	2,300	0	270	43	45
Finance lease liabilities	0	0	113	0	113	107
Trade Payables carried at contract amount	0	0	0	5,377	5,938	6,898
TOTAL FINANCIAL LIABILITIES	**194,275**	**2,300**	**113**	**5,647**	**6,094**	**7,050**

The prior year comparator figures for current investments have been adjusted from the published 2010-11 accounts to include investments classified on the balance sheet as cash equivalents (call accounts and money market funds). In addition, the Council's externally managed fund has been reclassified from fair value through profit and loss to available-for-sale investments.

The prior year comparator figures for trade receivables and payables have been adjusted to exclude debtors and creditors that are not classified as financial instruments.

Gains and Losses

The income, expense, gains and losses relating to financial instruments during the year are as follows:

2011-12					2010-11			
Financial Liabilities measured at amortised cost £000	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for sale £000**	**Total £000**		**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for sale £000**	**Total £000**
143	0	0	143	Interest expense	23	0	0	23
0	0	0	0	Fee expense	0	0	0	0
143	**0**	**0**	**143**	**Total expense in Deficit on the Provision of Services**	**23**	**0**	**0**	**23**
0	(586)	(479)	(1,065)	Interest income	0	(895)	(449)	(1,344)
0	**(586)**	**(479)**	**(1,065)**	**Total income in Deficit on the Provision of Services**	**0**	**(895)**	**(449)**	**(1,344)**
0	0	205	205	Losses on revaluation	0	0	173	173
0	**0**	**205**	**205**	**Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	**0**	**0**	**173**	**173**
143	**(586)**	**(274)**	**(717)**	**Net gain for the year**	**23**	**(895)**	**(276)**	**(1,148)**

Fair Values of Assets and Liabilities

Their fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between the parties in an arm's length transaction. The fair value of a financial instrument on initial recognition is generally the transaction price.

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

The Council's long term loans are carried in the balance sheet at amortised cost. Investments consist of loans and receivables, available for sale and fair value through profit and loss. Loans and receivables are carried on the balance sheet at amortised cost, whereas the other two categories of investment are carried at fair value. The portion of debt and investments due to be settled within 12 months of the balance sheet date are presented in the balance sheet under short term liabilities or short term investments.

The Council's debt outstanding at 31 March 2012 consists of PWLB Loans. The PWLB has provided the Council with Fair Value amounts in relation to its portfolio and has assessed the Fair Values by calculating the amount the Council would have had to pay to extinguish the loans on this date.

The Council's investment portfolio at the balance sheet date consisted of term deposits with banks and building societies, call account and money market fund (MMF) investments. In the case of the Council's investments with banks and building societies no early repayment or impairment is recognised because premature redemption is not permitted on fixed investments, therefore the carrying amount is used to approximate to fair value.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	Carrying Amount 31 March 2012 £000	Fair Value 31 March 2012 £000	Carrying Amount 31 March 2011 £000	Fair Value 31 March 2011 £000	Carrying Amount 1 April 2010 £000	Fair Value 1 April 2010 £000
Financial Assets						
Long Term Investments	7,003	7,001	14,417	14,404	14,657	14,404
Short Term Investments	56,573	56,766	50,284	50,285	50,261	50,261
Debtors	5,514	5,514	6,507	6,507	7,993	7,993
TOTAL FINANCIAL ASSETS	**69,090**	**69,281**	**71,208**	**71,196**	**72,911**	**72,658**
Financial Liabilities						
Short Term Borrowing	270	301	43	43	45	45
Long Term Borrowing	194,275	200,417	2,300	2,426	113	113
Deferred Liabilties (Finance Lease)	0	0	113	113	107	107
Creditors	15,272	15,272	13,877	13,877	12,467	12,467
TOTAL FINANCIAL LIABILITIES	**209,817**	**215,990**	**16,333**	**16,459**	**12,732**	**12,732**

The fair value of long term borrowing is higher than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the balance sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

18. INVENTORIES

The Council's inventories consist of stocks and work in progress.

19. CONSTRUCTION CONTRACTS

The Council has not entered into any construction contracts.

20. SHORT TERM DEBTORS

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Central government bodies	808	1,420	2,135
Other local authorities	632	773	810
Other entities and individuals	4,074	4,314	5,048
Total	5,514	6,507	7,993

The figures as at 31 March 2011 for central government bodies and other entities and individuals have been amended to correct debtors that had been incorrectly classified in the published 2010-11 Statement of Accounts. The total has not changed.

21. CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the Council's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short term, highly liquid (i.e. callable) investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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

	30 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Cash held by the Council	5	16	16
Bank current accounts	697	1,016	1,885
Callable deposits	39,508	15,189	10,329
Total Cash and Cash Equivalents	40,210	16,221	12,230

22. ASSETS HELD FOR SALE

2010-11 £000		2011-12 £000
758	Balance at start of the year	0
20	Assets purchased	0
	Assets newly classified as held for sale:	
0	Property, Plant and Equipment	0
(778)	Assets sold	0
0	Balance at end of the year	0

23. SHORT TERM CREDITORS

	30 March 2012 £000	31 March 2011 £000	1 April 2010 £000
Central government bodies	3,515	2,780	1,007
Other local authorities	1,440	2,245	2,149
Other entities and individuals	10,317	8,852	9,311
Total	15,272	13,877	12,467

24. PROVISIONS

The Council's provisions consist of seven items totalling £475,925 (£297,072 in 2010-11). The major items are:

- £150,000 in respect of three year's rent liability for Commercial Road Car park for which the Council has not been invoiced
- £132,000 in respect of personal search fees which, subject to legal action, may have to be repaid
- £110,000 required under accounting practice in respect of the Council's liability to

purchase carbon reduction commitment credits

25. USABLE RESERVES

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 8 and 9.

26. UNUSABLE RESERVES

31 March 2011		31 March 2012
£000		£000
53,534	Revaluation Reserve	68,424
13	Available for Sale Financial Instruments Reserve	(192)
553,045	Capital Adjustment Account	354,077
4	Financial Instruments Adjustment Account	0
(45,614)	Pensions Reserve	(57,000)
2	Collection Fund Adjustment Account	46
(301)	Accumulated Absences Account	(227)
560,683		365,128

Revaluation Reserve

The Revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2010-11			**2011-12**
£000			**£000**
61,951	**Balance at 1 April**		53,534
36,674	Upward revaluation of assets	17,462	
(43,710)	Downward revaluation of assets and impairment losses not charged to the Surplus / deficit on the Provision of Services	(1,115)	
(7,036)	Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		16,347
(1,139)	Difference between fair value depreciation and historical cost depreciation	(1,376)	
(242)	Accumulated gains on assets sold or scrapped	(81)	
(1,381)	Amounts written off to the Capital Adjustment Account		(1,457)
53,534	**Balance at 31 March**		68,424

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council 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
- disposed of and the gains are realised.

2010-11 £000		2011-12 £000
186	**Balance at 1 April**	13
(173)	Downward revaluation of investments	(205)
13	**Balance at 31 March**	(192)

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 Council as finance for the costs of acquisition, construction and enhancement.

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

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

Note 8 provide details of the source of all the transactions posted to the account, apart from those involving the Revaluation reserve.

2010-11 £000			2011-12 £000
610,955	**Balance at 1 April**		553,045
	Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
(9,926)	Charge for depreciation of non-current assets	(10,552)	
(64,799)	Revaluation losses on Property Plant and Equipment	(6,225)	
(380)	Amortisation of intangible assets	(312)	
(1,644)	Revenue expenditure funded from capital under statute	(1,534)	
(2,315)	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	(1,904)	
(79,064)			(20,527)
1,381	Adjusting amounts written out of the Revaluation Reserve		1,457
(77,683)	Net written out amount of the cost of non-current assets consumed in the year		(19,070)
0	HRA reform		(192,435)
	Capital financing applied in the year:		
4,204	Use of the Capital Receipts Reserve to finance new capital expenditure	2,063	
3,973	Use of the Major Repairs Reserve to finance new capital expenditure	4,078	
1,113	Use of capital grants and contributions to finance new capital expenditure	1,208	
470	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	113	
12,788	Capital expenditure charged against the General Fund and HRA balances	2,225	
22,548			9,687
(2,775)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,850
553,045	**Balance at 31 March**		354,077

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

2010-11 £000		2011-12 £000
(31)	**Balance at 1 April**	4
35	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(4)
4	**Balance at 31 March**	0

Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the 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 Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010-11 £000		2011-12 £000
(71,611)	**Balance at 1 April**	(45,614)
8,084	Actuarial gains or (losses) on pensions assets and liabilities	(12,217)
13,132	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(3,969)
4,781	Employer's pensions contributions and direct payments to pensioners payable in the year	4,800
(45,614)	**Balance at 31 March**	(57,000)

Collection Fund Adjustment Account

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

2010-11 £000		2011-12 £000
(3)	**Balance at 1 April**	2
5	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	44
2	**Balance at 31 March**	46

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, e.g. 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.

2010-11 £000			2011-12 £000
(314)	**Balance at 1 April**		(301)
314	Settlement or cancellation of accrual made at the end of the preceding year	301	
(301)	Amounts accrued at the end of the current year	(227)	
13	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		74
(301)	**Balance at 31 March**		(227)

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

31 March 2011 £000		31 March 2012 £000
1,829	Interest received	1,142
(23)	Interest paid	(143)

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities are:

31 March 2011 £000		31 March 2012 £000
(20,790)	Purchase of property, plant and equipment, investment property and intangible assets	(11,341)
(38,000)	Purchase of short-term and long-term investments	(30,897)
(18)	Other payments for investing activities	0
3,243	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,491
42,833	Proceeds from short-term and long-term investments	55,968
2,220	Other receipts from investing activities	1,431
(10,512)	**Net cash flows from investing activities**	**17,652**

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities are:

31 March 2011 £000		31 March 2012 £000
2,300	Cash receipts of short and long-term borrowing	192,435
823	Other receipts from financing activities	505
(2)	Repayments of short and long-term borrowing	(233)
(107)	Other payments for financing activities	(113)
3,014	**Net cash flows from financing activities**	**192,594**

30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made for revaluation and impairment losses in excess of the balance on the Revaluation reserve, which are charged to services in the Comprehensive Income and Expenditure Account
- the cost of retirement benefits (payment of employer's pensions contributions) is based on cash flows rather than current service cost of benefits accrued in the year
- gross expenditure and income (including recharge income) on support services are reported within the appropriate Service Unit. Support services charges are also included within the relevant service costs.

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

2011-12	Business Systems	Corporate Development	Community Care	Economic Development	Environmental Health	Financial Services	Housing Advice Services	Human Resources	Legal and Democratic Services	Leisure Services	Neighbourhood and Housing Management	Operational services	Parks and Countryside	Planning Services	Revenues and Payments	Housing Revenue Account	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(4,133)	(1,001)	(2,079)	(6,085)	(711)	(1,143)	(23)	(705)	(1,393)	(5,535)	(3,093)	(19,968)	(2,477)	(1,459)	(2,280)	(28,662)	**(80,747)**
Government grants and contributions	0	0	(35)	0	0	(3)	(818)	0	0	0	0	0	0	0	(42,246)	(4,078)	**(47,180)**
Total Income	**(4,133)**	**(1,001)**	**(2,114)**	**(6,085)**	**(711)**	**(1,146)**	**(841)**	**(705)**	**(1,393)**	**(5,535)**	**(3,093)**	**(19,968)**	**(2,477)**	**(1,459)**	**(44,526)**	**(32,740)**	**(127,927)**
Employee expenses	1,553	1,305	2,209	1,331	1,022	2,527	418	494	1,458	2,994	1,647	7,011	2,059	2,632	1,837	2,410	**32,907**
Other service expenses	1,588	1,135	1,803	1,424	446	2,875	675	80	870	4,669	1,612	10,220	2,045	622	42,629	22,529	**95,222**
Support service recharges	546	494	337	588	269	371	113	126	762	361	195	1,784	339	734	503	1,153	**8,675**
Depreciation and amortisation	770	34	58	636	3	0	0	0	0	1,495	34	2,309	232	0	0	5,294	**10,865**
Total Expenditure	**4,457**	**2,968**	**4,407**	**3,979**	**1,740**	**5,773**	**1,206**	**700**	**3,090**	**9,519**	**3,488**	**21,324**	**4,675**	**3,988**	**44,969**	**31,386**	**147,669**
Net Expenditure	**324**	**1,967**	**2,293**	**(2,106)**	**1,029**	**4,627**	**365**	**(5)**	**1,697**	**3,984**	**395**	**1,356**	**2,198**	**2,529**	**443**	**(1,354)**	**19,742**

2010-11	Business Systems	Corporate Development	Community Care	Economic Development	Environmental Health	Financial Services	Housing Advice Services	Human Resources	Legal and Democratic Services	Leisure Services	Neighbourhood and Housing Management	Operational services	Parks and Countryside	Planning Services	Revenues and Payments	Housing Revenue Account	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(4,133)	(1,136)	(2,481)	(6,019)	(701)	(1,294)	(113)	(814)	(1,785)	(8,031)	(3,068)	(19,680)	(2,451)	(1,158)	(3,067)	(27,860)	**(83,791)**
Government grants	0	0	(143)	0	0	(73)	(343)	0	(34)	(13)	0	0	0	(36)	(41,264)	(3,973)	**(45,879)**
Total Income	**(4,133)**	**(1,136)**	**(2,624)**	**(6,019)**	**(701)**	**(1,367)**	**(456)**	**(814)**	**(1,819)**	**(8,044)**	**(3,068)**	**(19,680)**	**(2,451)**	**(1,194)**	**(44,331)**	**(31,833)**	**(129,670)**
Employee expenses	1,466	1,184	2,278	1,351	1,088	2,368	461	535	1,589	4,560	1,728	6,940	1,997	2,536	1,794	2,757	**34,632**
Other service expenses	1,668	1,204	2,181	1,391	605	337	595	104	1,234	4,906	1,572	10,440	1,827	646	42,738	20,689	**92,137**
Support service recharges	449	445	303	608	196	318	85	123	687	405	134	1,662	310	470	475	1,058	**7,728**
Depreciation, amortisation and impairment	791	33	76	191	7	1	0	0	0	1,529	34	2,453	156	3	0	5,034	**10,308**
Total Expenditure	**4,374**	**2,866**	**4,838**	**3,541**	**1,896**	**3,024**	**1,141**	**762**	**3,510**	**11,400**	**3,468**	**21,495**	**4,290**	**3,655**	**45,007**	**29,538**	**144,805**
Net Expenditure	**241**	**1,730**	**2,214**	**(2,478)**	**1,195**	**1,657**	**685**	**(52)**	**1,691**	**3,356**	**400**	**1,815**	**1,839**	**2,461**	**676**	**(2,295)**	**15,135**

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

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

	2011-12	2010-11
	£,000	£,000
Net expenditure in the Service Unit Analysis	19,742	15,135
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis, mainly comprising HRA reform debt settlement, impairment and IAS19 adjustment.	195,474	49,909
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	7,368	1,546
Net Cost of Services in Comprehensive Income and Expenditure Statement	**222,584**	**66,590**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Unit income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2011-12	**Directorate Analysis**	**Amounts not reported to manage-ment for decision making**	**Amounts not included in I&E**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(80,747)	0	11,104	10,194	(59,449)	0	**(59,449)**
Interest and investment income	0	0	0	0	0	(7,430)	**(7,430)**
Income from council tax	0	0	0	0	0	(9,574)	**(9,574)**
Government grants and contributions	(47,180)	0	0	0	(47,180)	(7,997)	**(55,177)**
Total Income	**(127,927)**	**0**	**11,104**	**10,194**	**(106,629)**	**(25,001)**	**(131,630)**
Employee expenses	32,907	(1,870)	(1,397)	(224)	29,416	0	**29,416**
Other service expenses	95,222	0	(3,374)	(2,047)	89,801	0	**89,801**
Support Service recharges	8,675	0	(752)	(7,923)	0	0	**0**
Depreciation, amortisation and impairment	10,865	4,909	1,787	0	17,561	0	**17,561**
HRA reform debt settlement	0	192,435	0	0	192,435	0	**192,435**
Precepts & Levies	0	0	0	0	0	1,284	**1,284**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	919	**919**
Gain on Disposal of Fixed Assets	0	0	0	0	0	(446)	**(446)**
Total expenditure	**147,669**	**195,474**	**(3,736)**	**(10,194)**	**329,213**	**1,757**	**330,970**
Surplus or deficit on the provision of services	**19,742**	**195,474**	**7,368**	**0**	**222,584**	**(23,244)**	**199,340**

2010-11	Directorate Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(83,791)	0	11,071	11,028	(61,692)	0	**(61,692)**
Interest and investment income	0	0	0	0	0	(1,489)	**(1,489)**
Income from council tax	0	0	0	0	0	(9,520)	**(9,520)**
Government grants and contributions	(45,879)	0	0	0	(45,879)	(9,563)	**(55,442)**
Total Income	**(129,670)**	**0**	**11,071**	**11,028**	**(107,571)**	**(20,572)**	**(128,143)**
Employee expenses	34,632	(19,309)	(1,417)	(212)	13,694	0	**13,694**
Other service expenses	92,137	0	(3,344)	(3,778)	85,015	0	**85,015**
Support Service recharges	7,728	0	(690)	(7,038)	0	0	**0**
Depreciation, amortisation and impairment	10,308	69,218	(4,074)	0	75,452	0	**75,452**
Precepts & Levies	0	0	0	0	0	1,275	**1,275**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1,511	**1,511**
Loss on Disposal of Fixed Assets	0	0	0	0	0	(928)	**(928)**
Total expenditure	**144,805**	**49,909**	**(9,525)**	**(11,028)**	**174,161**	**1,858**	**176,019**
Surplus or deficit on the provision of services	**15,135**	**49,909**	**1,546**	**0**	**66,590**	**(18,714)**	**47,876**

31. ACQUIRED AND DISCONTINUED OPERATIONS

No operations were acquired or discontinued in 2011-12.

32. TRADING OPERATIONS

The Council has established four trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of these units are as follows:

	2011-12			2010-11		
	Turnover	Expenditure	Surplus	Turnover	Expenditure	Surplus
	£000	£000	£000	£000	£000	£000
Building maintenance	2,482	2,504	(22)	2,375	2,395	(20)
Fleet Management	2,640	2,493	147	2,728	2,503	225
Stores	44	45	(1)	78	79	(1)
Vehicle Maintenance	918	908	10	870	856	14

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

33. AGENCY SERVICES

The Council has an agency agreement with Surrey County Council whereby the Borough Council is responsible for managing on-street parking (including parking enforcement) within the Borough on behalf of the County Council. The agency agreement was revised with effect from 1 April 2011 and the Council now undertakes parking enforcement within the Waverley Borough Council area on behalf of the County Council. From April 2011 the surplus is shared between the Borough Council (35 per cent) and Surrey County Council (65 per cent). The figures are included in highways and transport services within the CIES.

	2011-12	2010-11
	£000	£000
Expenditure incurred in managing on street parking (including the parking enforcement service) within the Borough and Waverley Borough	1,024	863
Income from on street parking (including penalty fees) within the Borough and Waverley Borough	(1,544)	(1,339)
Net surplus (shared between GBC and SCC)	(520)	(476)

The 2010-11 figures have been amended from those as per the published 2010-11 Statement of Accounts to include all on street parking. The previously published figures only included parking enforcement .

34. POOLED BUDGETS

The authority does not have any partnership schemes under s75 of the National Health Service Act 2006.

35. MEMBERS' ALLOWANCES

Members' allowances of £279,805 (£281,659 in 2010-11) were paid in the year to 31 March 2012.

A further breakdown is as follows:

	2011-12	2010-11
	£	£
Basic Allowance	223,142	221,577
Special Responsibility Allowance	52,602	54,213
Mileage and Subsistance	4,061	5,869
	279,805	281,659

The amount paid to each member is published annually on the Council's website, at http://www.guildford.gov.uk/transparencydata

36. OFFICERS' REMUNERATION

The number of employees whose remuneration (including payments receivable on termination of employment and excluding employer's pension contributions), was £50,000 or more in bands of £5,000 were:

Remuneration Band	2011-12	2010-11
	Number of Employees	Number of Employees
	Total	Total
£50,000 - £54,999	11	8
£55,000 - £59,999	15	14
£60,000 - £64,999	2	4
£65,000 - £69,999	3	4
£70,000 - £74,999	7	3
£75,000 - £79,999	2	3
£80,000 - £84,999	0	0
£85,000 - £89,999	0	1
£90,000 - £94,999	0	1
£95,000 - £99,999	3	1
£100,000 - £104,999	0	1
£125,000 - £130,000	1	0
£130,000 - £134,999	1	1

The following table sets out the Senior Officers' emoluments for 2011-12, where the salary is between £50,000 and £150,000 per year:

Postholder		Salaries, fees and Allowances	Other non salary payments	Lump sum in respect of car mileage, telephone etc.	Termination Payments	Pension Contribution	Car lease/ other benefits	Total
Chief Executive	**2011-12**	**123,183**		**2,634**		**17,985**	**3,192**	146,994
	2010-11	123,183		1,642		17,985	7,836	150,646
Strategic Director	**2011-12**	**91,766**		**1,642**	**30,000**	**13,398**	**6,743**	143,549
	2010-11	91,766		1,642		13,398	6,826	113,632
Strategic Director	**2011-12**	**91,766**		**1,642**		**13,398**	**5,865**	112,671
	2010-11	91,255		1,642		13,323	5,574	111,794
Strategic Director	**2011-12**	**91,255**		**1,642**		**13,323**	**3,099**	109,319
	2010-11	89,163		1,642		13,018	2,849	106,672
Head of Service - 1	**2011-12**	**33,736**	**13,032**	**232**		**6,742**	**3,097**	56,839
	2010-11	76,869	4,515	492		11,792	7,138	100,806
Head of Service - 2	**2011-12**	71,800		0		0	0	71,800
	2010-11	0		0		0	0	0
Head of Service	**2011-12**	**66,894**		**538**		**9,766**	**4,428**	81,626
	2010-11	71,156		727		10,350	4,246	86,479
Head of Service	**2011-12**	**71,142**		**660**		**10,387**	**4,766**	86,955
	2010-11	71,142		660		10,387	5,459	87,648
Head of Service	**2011-12**	**65,605**		**468**		**9,578**	**4,948**	80,599
	2010-11	65,605		468		9,578	5,260	80,911
Head of Service	**2011-12**	**68,522**		**468**		**10,004**	**5,046**	84,040
	2010-11	65,817		468		9,609	5,603	81,497
Head of Service	**2011-12**	**65,817**		**565**		**9,609**	**3,751**	79,742
	2010-11	65,817		468		9,609	4,953	80,847
Head of Service	**2011-12**	**65,817**		**625**		**9,609**	**4,659**	80,710
	2010-11	65,817		618		9,609	4,440	80,484
Head of Service - 3	**2011-12**	**38,393**		**420**		**5,605**	**0**	44,418
	2010-11	65,817		720		9,609	2,567	78,713
Head of Service	**2011-12**	**65,817**		**1,961**		**9,609**	**0**	77,387
	2010-11	65,817		1,961		9,609	0	77,387
Head of Service	**2011-12**	**65,448**		**600**		**9,555**	**2,103**	77,706
	2010-11	65,738		600		9,393	2,103	77,834
Head of Service	**2011-12**	**65,447**		**468**		**9,555**	**5,159**	80,629
	2010-11	63,851		468		9,322	4,432	78,073
Head of Service	**2011-12**	**63,924**		**1,785**		**9,333**	**1,464**	76,506
	2010-11	61,729		1,756		9,012	843	73,340
Head of Service -	**2011-12**	**55,493**		**2,829**		**8,288**	**727**	67,337
	2010-11	56,765		1,704		8,288	727	67,484
Head of Service	**2011-12**	**54,747**		**600**		**7,993**	**5,094**	68,434
	2010-11	51,294		0		7,489	4,522	63,305
Head of Service - 4	**2011-12**	**0**	**0**			**0**	**0**	0
	2010-11	41,065	13,641	1,411		7,987	350	64,454

Note 1 – post holder retired during 2011-12; their annualised salary was £76,868. The other non-salary payments are for work undertaken for the Borough Elections and Referendum (General Election in 2010-11) and constitute separate employment. Costs in respect of the Referendum were met by Central Government.

Note 2 – this post is being filled on an interim basis, via an agency.

Note 3 - post holder retired during 2011-12; their annualised salary was £65,897

Note 4 – post holder left during 2010-11 and not replaced; their annualised salary was £71,794

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 (inc. special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
							£	£
£0 - £20,000	1	19	2	1	3	20	22,943	157,913
£20,001 - £40,000	1	9	1	3	2	12	69,884	353,777
£40,001 - £60,000	0	2	0	2	0	4	0	186,632
£60,001 - £80,000	0	1	0	0	0	1	0	72,872
Total	**2**	**31**	**3**	**6**	**5**	**37**	**92,827**	**771,194**

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

37. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2011-12	2010-11
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116	121
Fees payable to the Audit Commission in respect of statutory inspections		
Fees payable to the Audit Commission in respect of certification of grant claims and returns	48	47
Fees payable in respect of other services provided by the Audit Commission		12
Total	**164**	**180**

38. GRANT INCOME

The Council credited the following grants, contributions and donations to the CIES in 2011-12:

2010-11 £'000		2011-12 £'000
	Credited to Taxation and Non Specific Grant Income	
7,424	Non domestic rates	4,999
	Non-ringfenced government grants	
1,078	Revenue Support Grant	1,545
0	New Homes Bonus	138
0	Council Tax Freeze	206
41	Area Based Grants	0
1,020	Capital grants and contributions	1,109
9,563	**Total**	**7,997**
	Credited to Services	
18,994	Housing Benefit Rent Allowance subsidy	20,209
13,277	Housing Benefit Rent Rebate subsidy	14,016
6,835	Council Tax Benefit subsidy	6,889
3,973	MRA Grant	4,078
344	Homelessness Strategies	833
985	Housing Benefit Administration	796
1,108	Supporting People Grant	679
309	Day care and other social services	385
685	Contributions to grants to voluntary organsiations	379
245	Business Rate Collection	242
384	Safer Guildford Partnership	189
150	Recycling of food waste	150
875	Concessionary Bus Fares	0
568	Other	371
48,732	**Total**	**49,216**

The 2010-11 other grants figure includes grants totalling £64,166 that were excluded from the 2010-11 published accounts in error.

39. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 38.

Members and Officers

Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid in 2011-12 is shown in Note 35. The Council maintains a register of councillors' and officers' interests, which is updated annually. Contracts were entered into in full compliance with the Council's standing orders. In addition, declaration forms were sent to all councillors and relevant officers at the end of the year. The appropriate analysis has been undertaken with regard to the year ending 31 March 2012. Grants totalling £93,800 were paid to voluntary organisations in which a number of elected councillors had an interest. In addition grants totalling £395,400 were paid to voluntary organisations in which a number of councillors were acting as a Borough Council nominee. Support totalling £308,347 was given to the Citizens Advice Bureaux in which two councillors had an interest and four councillors were acting as Borough Council nominees. The grants affected were, however, made with proper consideration of declarations of interest and the relevant councillors, although able to take part in any discussion relating to these grants, were excluded from voting.

Set out below are transactions of more than £50,000, and transactions of more than £10,000 where this constitutes 20 per cent or more of the relevant organisation's annual turnover, and where the councillor or officer concerned held a position of influence within the organisation.

Recipient Organisation	Relationship	Transaction
Ash CAB	Councillor Jackson was a trustee. Councillors Manning and Mosely were Council nominees	£100,821 in support, representing over half its funding
Canterbury Care Centre	Councillors Jordan and Searle declared interests	£14,771 grant, representing 35 per cent of the Centre's annual turnover
Guildford Book Festival	Councillor Powell was a Council nominee	£22,840 grant, representing 23 per cent of the Festival's annual turnover
Guildford CAB	Councillors Nelson-Smith and Roche were Council nominees. Councillor Juneje was a trustee	£207,526 in support, representing over half its funding
Surreysave Credit Union	Councillor Wright was chairman	£50,000 grant, representing a one-off payment in respect of set up costs
Yvonne Arnaud Theatre	Councillors French, Phillips and Powell were Council nominees	£318,176 grant, representing 9 per cent of the theatre's turnover

Other Public Bodies

The independent Chairman of Standards & Audit Committee, who is not a member of the Council, was also Chairman of Surrey Police Authority.

40. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2010-11 £'000		2011-12 £'000
4,812	*Opening Capital Financing Requirement*	4,344
	Capital Investment	
20,276	Operational assets	10,820
0	Non-operational assets	702
160	Intangible assets	170
1,644	Revenue Expenditure Funded from Capital under Statute	1,534
0	HRA reform	192,435
	Sources of finance	
(244)	Specific Capital Grants	(273)
(4,204)	Capital Receipts	(2,063)
(869)	Contributions	(935)
(13,258)	Direct Revenue Financing and MRP	(2,338)
(3,973)	HRA Major Repairs Reserve	(4,078)
4,344	*Closing Capital Financing Requirement*	200,318
(468)	*Movement during the year*	195,974
	Increase/(decrease) in in underlying need to borrow (unsupported by government financial assistance)	

41. LEASES

Council as Lessee

Finance leases
The Council has acquired a number of assets under finance leases. These assets are carried as Property, Plant and Equipment and Investment Property in the Balance Sheet at the following net amounts:

	2011-12 £'000	2010-11 £'000
Council Dwellings	1,906	2,089
Other Land & Buildings	10,352	10,562
Vehicles, Plant, Furniture and Equipment	107	215
Investment Property	675	410
	13,040	13,276

Premiums were paid at the start of the property leases and there are no more payments due. The Council was committed to making minimum payments under the lease for vehicles and equipment comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remained outstanding. The final lease payment was made in 2011-12.

Operating leases

The Council has entered into operating leases for several operational properties. The future minimum lease payments due under non-cancellable leases in future years are:

	2011-12	2010-11
	£'000	£'000
Not later than one year	146	146
Later than one year and not later than five years	349	443
Later than five years	845	897
	1,340	1,486

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £153,000 (£182,777 in 2010-11).

Council as Lessor

Finance leases

The Council has leased out a number of investment properties on finance leases with remaining lease terms of 60 years or more. In each case a premium was paid to the Council by the lessee in order to enter into the lease and there are no future minimum lease payments due.

Operating leases

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

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

	2011-12	2010-11
	£'000	£'000
Not later than one year	5,022	4,667
Later than one year and not later than five years	18,382	20,724
Later than five years	303,344	305,162
	326,748	330,553

42. IMPAIRMENT LOSSES

There were no impairment losses in 2011-12.

43. DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme administered by Surrey County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**2011-12 £000**	**2010-11 £000**
Cost of services:		
Current service cost	3,715	3,827
Curtailments	(920)	32
Past Service Costs/(gain)	214	(18,340)
Financing and Investment Income and expenditure:		
Interest cost	8,399	8,822
Expected return on assets in the scheme	(7,439)	(7,444)
Total Post Employment Benefit charged to the deficit on the Provision of Services	3,969	(13,103)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(3,969)	13,103
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	4,800	4,781

In addition to the recognised gains and losses included in the Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, actuarial losses of £12.2 million (actuarial gains of £8.1 million 2010-11) were included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £43.9 million.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2011-12	2010-11
	£000	**£000**
Opening balance at 1 April	154,284	174,523
Current service cost	3,715	3,827
Interest cost	8,399	8,822
Contributions by scheme participants	1,305	1,401
Losses on Curtailments	258	32
Liabilities extinguished on settlements	(3,716)	0
Actuarial gains and losses	6,449	(10,916)
Benefits paid	(5,636)	(5,065)
Past service costs/(Gains)	214	(18,340)
Closing balance at 31 March	165,272	154,284

Reconciliation of fair value of the scheme assets:

	2011-12	2010-11
	£000	**£000**
Opening balance at 1 April	108,670	102,914
Expected rate of return	7,439	7,444
Actuarial gains and losses	(5,665)	(2,805)
Assets distributed on settlements	(2,539)	0
Employer contributions	4,698	4,781
Contributions by scheme participants	1,305	1,401
Benefits paid	(5,636)	(5,065)
Closing balance at 31 March	108,272	108,670

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

The actual return on scheme assets in the year was £1.8 million (£9.3 million in 2010-11).

Scheme History

	2007-08	2008-09	2009-10	2010-11	2011-12
	£000	**£000**	**£000**	**£000**	**£000**
Present value of liabilities	(116,294)	(113,994)	(174,523)	(154,284)	(165,272)
Fair Value of Employer Assets	90547	70,894	102,914	108,670	108,272
Deficit in the scheme	(25,747)	(43,100)	(71,609)	(45,614)	(57,000)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £57 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £4,129,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels etc. The County Council fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The Actuary has prepared the figures by applying a 'roll-forward' approach to the last formal valuation, which was as at 31 March 2010.

The main financial assumptions used in their calculation have been:

	2011-12	**2010-11**
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.3%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.9 years	21.9 years
Women	24 years	24 years
Longevity at 65 for future pensioners:		
Men	23.9 years	23.9 years
Women	25.9 years	25.9 years
Rate of inflation/pension increase	2.5%	2.8%
Rate of increase in salaries	1.0%	1.0%
Expected return on assets	5.7%	6.9%
Discount rate	4.8%	5.5%

An allowance is included for future retirements to elect to take 25 per cent of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63 per cent of the maximum tax-free cash for post April 2008 service.

The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	2011-12	2010-11	2009-10
Equities	73%	76%	75%
Bonds	18%	16%	17%
Property	6%	5%	6%
Cash	3%	3%	2%
	100%	100%	100%

History of experience Gains and Losses

The actuarial gains/(losses) identified as movements on the Pensions reserve in 2011-12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	%	%	%	%	%	%
Experience gains and (losses) on assets	0.00	(13.30)	(40.00)	24.95	(2.58)	(5.23)
Experience gains and (losses) on liabilities	0.17	6.70	(0.01)	(0.02)	(5.90)	(1.24)

44. CONTINGENT LIABILITIES

An amount of up to £677,000 may be claimed by Municipal Mutual Insurance Ltd in relation to the company's liability for asbestos induced mesothelioma claims arising on the Council's liability account. The Insurance reserve includes an amount towards any claim that may be made.

45. CONTINGENT ASSETS

There were no contingent assets as at 31 March 2012.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have 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 measures such as interest rates and market prices.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers.

The investment risk with banks and financial institutions is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution.

Although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments were made in line with the Council's approved Treasury Management Strategy for 2011-12.

As conditions in the financial sector had begun to show signs of gradual improvement in the second half of 2009-10, albeit with substantial intervention by government authorities, the Council decided it would be appropriate to diversify the counterparty list in 2011-12, through the inclusion of comparable non-UK Banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the banks within them, were selected after analysis and careful monitoring of:

- credit ratings (minimum long-term A+ in accordance with CIPFA's lowest common denominator approach)
- credit default swaps
- GDP
- Net Debt as a percentage of GDP
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution
- share price

During the year, deposits with European Banks (excluding the UK) were subsequently suspended as a result of market conditions and the Eurozone debt crisis.

Until November 2011, the minimum criterion for new investments has been a long term rating of A+/A1/A+ (Fitch/Moody's/S&P). Following downgrades to a number of systemically important financial institutions in the autumn 2011, a lower credit rating of A-/A3/A- (Fitch/Moody's/S&P) was adopted by the authority once the revised strategy was approved by full Council on 9 February 2012. An exposure limit of £10 million per counterparty was set and maintained through the year.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2012 and confirms that all investments were made in line with the Council's approved credit rating at the time of placing the investment:

Counterparty	Long term Credit Rating - at 31 March 2012 (lowest denominator)	Balance invested as at 31 March 2012 - maturity profile						Totals £000
		Up to 1 month £000	1 to 3 months £000	3 to 6 months £000	6 to 9 months £000	9 to 12 months £000	>24 months £000	
Term Deposits:	AAA	0	0	0	0	0	0	0
	AA+	0	0	0	0	0	0	0
	AA	0	0	0	0	0	0	0
	AA-	0	0	0	0	0	0	0
	A+	0	0	0	0	0	0	0
	A	1,000	1,000	2,000	0	0	2,000	6,000
	A-	0	0	0	0	0	0	0
Money Market Funds	AAA	23,124	0	0	0	0	0	23,124
Call Accounts	A+/A	16,384	0	0	0	0	0	16,384
Supranational Bonds	AAA	0	5,213	2,120	0	0	5,000	12,333
Investment Funds	n/a	4,975	0	0	0	0	0	4,975
Total Investments		**45,483**	**6,213**	**4,120**	**0**	**0**	**7,000**	**62,816**

The above analysis shows that all deposits outstanding at 31 March 2012 met the Council's credit rating criteria on 31 March 2012.

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

The Council does not generally allow credit for customers. Of the total debt outstanding, £2.3 million relating to services that the Council has invoiced for is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than six months	1,693
Six months to one year	144
More than one year	463
	2,300

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has access to borrowing facilities via the Public Works Loans Board (PWLB), commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank and other local authorities. There is no perceived risk that it will be unable to raise finance to meet its commitments.

The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at the time of unfavourable interest rates. The Council's strategy is to carefully plan when new loans are taken out and making early repayments where financially advantageous.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt as is as follows:

	31 March 2012 £'000	31 March 2011 £'000
Short Term Borrowing		
Less than one year	230	230
Long Term Borrowing		
Over 1 but not over 2 years	230	230
Over 2 but not over 5 years	690	690
Over 5 but not over 10 years	45,920	1,150
Over 10 but not over 15 years	40,000	0
Over 15 but not over 20 years	50,000	0
Over 20 but not over 25 years	25,000	0
Over 25 but not over 30 years	32,435	0
Over 30 but not over 35 years	0	0
Over 35 but not over 40 years	0	0
Over 40 but not over 45 years	0	0
Over 45 years	0	0
Total Borrowings	**194,505**	**2,300**

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

Market risk

The Council is exposed risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit on external debt that can be subject to variable interest rates. A rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rated – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be also be reflected in the Comprehensive Income and Expenditure Statement.

If interest rates had been one per cent higher (all other variables being constant) the Council would have received approximately £800,000 more in interest receipts on its investments.

The Council does not invest in equity shares and therefore is not subject to price risk.

The Council has no financial asset or liability denominated in a foreign currency. It therefore has no exposure to the loss arising as a result of adverse movements in exchange rates.

47. TRUST FUNDS

The Council acts as trustee for legacies left by the inhabitants of the Borough, such as the Hamilton Fellowes Trust, which is to be used for the benefit of children. Trust fund balances are invested internally or in gilt edged securities. The funds do not represent assets of the Council and therefore they have not been included in the Balance Sheet.

2011-12	**Income £000**	**Expenditure £000**	**Assets £000**	**Liabilities £000**
Hamilton Fellowes	2	5	85	0
Allen House Pavillion	0	0	2	0
Total	2	5	87	0

2010-11	**Income £000**	**Expenditure £000**	**Assets £000**	**Liabilities £000**
Hamilton Fellowes	2	4	88	0
Allen House Pavillion	0	0	2	0
Total	2	4	90	0

HRA INCOME AND EXPENDITURE STATEMENT

2010-11 £000		NOTE	2011-12 £000
	Income		
	Gross Rent Income	1	
24,916	Dwellings		26,117
904	Non-dwellings		926
1,213	Charges for Services and Facilities		1,106
3,973	HRA Subsidy Receivable	10	4,078
827	Supporting People Grant		513
31,833	**Total Income**		**32,740**
	Expenditure		
3,960	Repairs and Maintenance		4,161
4,972	Supervision and Management		4,541
14,550	Negative HRA Subsidy Payable	10	16,403
420	Rent Rebates	2	243
65	Increased Provision for Bad or Doubtful Debts		235
5,033	Depreciation and Impairment	9	8,249
55	Debt Management Expenses		86
100	Other Expenditure		12
29,155	**Total Expenditure**		**33,930**
(2,678)	**Net Cost of HRA Services per Comprehensive Income & Expenditure Statement**		**1,190**
249	HRA Share of Corporate & Democratic Core		243
59,997	Revaluation losses on dwellings		0
0	Settlement payment to Government for HRA self-financing	13	192,435
57,568	**Net Cost of HRA Services**		**193,868**
(1,259)	Gain on sale of HRA fixed assets		(699)
(74)	HRA Investment Income		(101)
28	Interest payable		124
56,263	**Deficit for year on HRA services**		**193,192**

MOVEMENT ON THE HRA STATEMENT

2010-11 £000			2011-12 £000
1,900	Balance on the HRA at the end of the previous year		1,900
(56,263)	Deficit for the year on the HRA Income and Expenditure Account	(193,192)	
59,165	Adjustments between accounting basis and funding basis under statute (see note 8 to the Accounts)	194,421	
2,902	Net increase before transfers to reserves	1,229	
(2,902)	Transfers to reserves	(629)	
0	Increase or (decrease) in year on the HRA		**600**
1,900	Balance on the HRA at the end of the current year		2,500

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, voids amounted to £297,176 or 1.15 per cent of gross rent income from dwellings (£394,668 or 1.60 per cent for 2010-11). Average rents were £95.43 per week in 2011-12, an increase of £5.04 over the previous year.

2. Rent Rebates

Costs and associated subsidy transferred to the General Fund with effect from 1 April 2004. Rent rebate expenditure not eligible for subsidy due to average rents being above Government guideline rents remains chargeable to the HRA and was £242,639 in 2011-12 (£419,854 in 2010-11).

3. Rent Arrears

At 31 March 2012, rent arrears were £1,145,554 (including £295,301 former tenant arrears) or 4.42 per cent of gross rent income. The comparable figures for 2010-11 were £1,047,395 (including £541,028 former tenant arrears) or 4.25 per cent of gross rent income.

The provision for bad debts at 31 March 2012 was £437,424. The comparable figure for 2010-11 was £326,211.

Amounts written off in the year amounted to £123,786 (£36,959 in 2010-11).

Payments in advance amounted to £147,640 (£157,429 in 2010-11).

4. Housing Stock

The Council was responsible for managing on average 5,300 dwellings in 2011-12, analysed below:

2010-11	**Average**	**2011-12**
2,652	Houses	2,642
2,326	Flats	2,305
355	Bungalows	353
5,333		**5,300**

2010-11		**2011-12**
5,357	Stock at 1 April	5,306
(14)	Less Sales	(8)
(37)	Other Adjustments	(5)
5,306	Stock at 31 March	**5,293**

The 2010-11 figures have been amended slightly from the published 2010-11 Statement of Accounts.

5. Stock Valuation – Balance Sheet Basis

The basis for the balance sheet valuation of the Council's housing stock is Existing Use Value – Social Housing (EUV – SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV – SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The valuation was carried out by Wilks Head and Eve, Chartered Surveyors. The date of the valuation was April 2011.

The balance sheet value increases where new dwellings and properties are built or acquired and when capital works that improve or significantly enhance the value of the assets are carried out. The balance sheet value reduces when assets are sold and are written out of the accounts. Depreciation is charged on assets and this also reduced the balance sheet valuation.

Valuations for HRA assets are:

	1 April 2011	**1 April 2012**
	£000	**£000**
Dwellings (valued at EUV - SH)	348,566	355,258
Other Operational Land and Buildings (valued at MV - EU)	3,698	3,910
Community Assets (historic cost)	149	148
Total HRA Assets	352,413	359,316

6. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at 1 April 2012 was £995 million. The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rent.

7. Major Repairs Reserve

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

2010-11 £000		2011-12 £000
0	**Opening Balance at 1 April**	0
3,973	Reversal of Major Repairs Allowance credit to the HRA	4,078
(3,973)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(4,078)
0	**Closing Balance at 31 March**	**0**

8. Capital Expenditure and Financing

The HRA capital expenditure in the year was financed as follows:

	Financing £000		Expenditure £000
Capital Receipts	64	Fixed Assets	5,470
Major Repairs Allowance	4,078	Revenue Expenditure Funded from Capital under Statute	0
Reserve for Future Capital	1,328		
Grants and contributions	0		
Direct Revenue Financing	0		
	5,470		**5,470**

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £1.265 million.

9. Depreciation

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

	£000
Dwellings	5,240
Other Operational Land and Buildings	54
Total HRA Assets	5,294

The depreciation amount has been calculated by the straight line method and has not been charged on investment properties or on non operational housing assets.

10. Housing Revenue Account Subsidy

HRA Subsidy is calculated in accordance with the determinations made by the Government under Section 80 of the Local Government and Housing Act 1989. It is calculated by reference to a notional account broadly comprising notional expenditure on management and maintenance and capital charges together with notional income from rents and other receipts. HRA subsidy represents the difference between notional costs and income and therefore some of the amounts involved are different to those recorded in the actual HRA.

The audit of the 2010-11 subsidy calculation resulted in an increased subsidy entitlement of £2,056 over that provided for in the 2010-11 accounts. A summary of the notional HRA for 2011-12 (being subject to adjustment on audit) is set out as follows:

2010-11 £000		2011-12 £000
8,647	Management & Maintenance Allowance	8,813
	Rent Rebates eligible for subsidy	
129	Other eligible expenditure and allowances	158
8,776	**Total Eligible Expenditure**	**8,971**
23,247	Notional Rent Income	25,376
0	Other eligible income	0
23,247	**Total Eligible Income**	**25,376**
(39)	Adjustment to claim after audit	2
(14,510)	**Negative HRA Subsidy Payable**	**(16,403)**
3,973	HRA Subsidy Receivable (Major Repair Allowance)	4,078
(10,537)	**Net Subsidy Payable**	**(12,325)**

11. Interest Charge to HRA (Item 8 Debit)

The interest charge payable by the HRA for the year is £124,272. The charge is calculated by applying the consolidated interest rate of 1.635 per cent to the HRA capital financing requirement.

12. Contributions to/from the Pensions Reserve

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

2010-11 £000		2011-12 £000
359	Reversal of items relating to retirement benefits debited to the HRA	318
(526)	Employer's pensions contributions and direct payments to pensioners payable in the year	(482)
(167)	**Contribution to the Pensions Reserve**	**(164)**

13. Settlement payment to Government for HRA self-financing

The Housing Revenue Account subsidy system was replaced on the 1 April 2012 with a new self-financing arrangement. In preparation for this change the Council was required to pay £192,435,000 to the Government on 28 March 2012. This was funded with loans from the Public Works Loan Board. The loans have been recognised in the HRA income and expenditure account prior to being reversed out within the adjustments between accounting basis and funding basis under regulations (Note 8). Therefore there is no overall affect on the revenue account and the debt is held on the balance sheet.

COLLECTION FUND

2010-11 £000		£000	2011-12 £000
	Income		
72,059	Income from Business Ratepayers - Note 2		73,802
77,736	Council Taxes		78,507
6,743	Council Tax Benefit		6,773
156,538			**159,082**
	Expenditure		
	Precepts		
63,764	Surrey County Council	63,822	
11,340	Surrey Police Authority	11,350	
9,503	Guildford Borough Council	9,520	
84,607			**84,692**
71,526	Contribution to NNDR National Pool		73,290
245	Payment to General Fund for collecting NNDR		242
288	Provision for bad and doubtful debts		370
106	Distribution of prior year estimated surplus		92
156,772			**158,686**
(234)	Surplus/(deficit) for year		**396**
	Collection Fund Balance		
247	Balance at the beginning of the year		13
(234)	Surplus/(deficit) for the year		396
13	**Balance at the end of the year**		**409**

NOTES TO THE COLLECTION FUND

1. General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are prepared on an accruals basis, and from 2009-10 they are consolidated with the other accounts of the Council on an agency basis.

2. Income from Business Rates

Under the current arrangements for National Non- Domestic Rates (NNDR), the Council collects non-domestic rates for its area. These rates are based on local rateable values (£196,474,104 as at 31 March 2012) multiplied by a uniform rate (43.3p standard and 42.6p small business rate in 2011-12). The total amount collectable, less an allowance for the cost of collection is paid to a Central Pool (the NNDR pool), which is managed by Central Government.

3. Income from National Non-Domestic Rate Pool

Having received the national non-domestic rates from all authorities, Central Government pays back a share of the pool based on a standard amount per head for the local resident population (£4,999,134 for 2011-12). This is paid directly into the Council's General Fund.

4. Income from Council Tax

The Council's tax base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
Dis A	2.75	5/9	1.53
A	642.75	6/9	428.50
B	2,506.25	7/9	1,949.31
C	9,400.50	8/9	8,356.00
D	13,508.50	9/9	13,508.50
E	8,673.50	11/9	10,600.94
F	5,826.75	13/9	8,416.42
G	6,705.50	15/9	11,175.84
H	1,437.75	18/9	2,875.50
	48,704.25		**57,312.53**
Plus adjustment for MoD properties and collection rates offset by anticipated changes during the year for successful appeals against valuation banding, new properties,demolitions, disabled person's relief and exempt properties			-142.56
			57,169.97

5. Council Tax Bad Debt Provision

The movement of the provision during the year was as follows:

2010-11 £'000		2011-12 £'000
346	Balance at 1 April	257
0	Transfer from revenue	100
(89)	Write offs	(102)
257	Balance at 31 March	**255**

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Chairman of the Audit and Corporate Governance Committee approving the accounts

19 September 2012

GUILDFORD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT (AGREED BY THE EXECUTIVE 21 JUNE 2012)

1. SCOPE OF RESPONSIBILITY

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

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.

1.3. The Council has approved and adopted a code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework of Corporate Governance in Local Government introduced in 2007. A copy of the code is on the website at www.guildford.gov.uk or can be obtained from Corporate Development Services, Millmead House, Millmead, Guildford, Surrey, GU2 4BB (tel. (01483) 444854).

1.4. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 in relation to the statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

2.3 The governance framework has been in place for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

3. GOVERNANCE FRAMEWORK

3.1 The Council is a complex organisation with an appropriately comprehensive Governance Framework which works in a dynamic environment and keeps its processes under constant review.

3.2 Strategic Framework and Performance Management

The Governance arrangements start with the Strategic Framework, which sets out the Vision and Mission and establishes the Council's Key Delivery Targets. The Strategic Framework in operation throughout 2011-12 and was approved in May

2008. New Key Delivery Targets (KDTs) have been set for the period 2012-15 and these were approved on 24 November 2011.

3.3 The council has continued to develop the service planning process. There are performance targets both at an individual and service level and project milestones based on the new KDTs. There is a clear link between service delivery and the Council's corporate objectives. Progress against the objectives in the service plans is monitored through regular performance monitoring meetings and reports to Management Team.

3.4 The Council has had a robust performance management system for many years with links to individual service improvement plans, KDT and the Council's risk management system. In 2011-12 there was a review of the Council's performance indicators following the changes made in the reporting of the national indicators. This review has resulted in the development of a suite of corporate indicators which will come into effect in 2012-13. Progress against the corporate indicators will be reported quarterly to Management Team and also to the Scrutiny Committees.

3.5 Risk management is embedded within the organisation. It is an integral part of project management and further work has been carried out to further develop risk management at the service level. We have a new risk management system which is more flexible and provides better management information. We are also carrying out a review of the mitigating actions to ensure that they are in place and operating as intended. The corporate risk register will be reviewed to take account of the new Key Delivery Targets and the impact of the Localism Bill.

3.6 The Council has always performed well under the Audit Commission's annual assessment of Value for Money. The Council's approach to value for money has been enhanced in 2011-12 through the adoption of a Lean Management programme to improve services and reduce costs. Over the last year there has been a reduction in the number of staff without any reduction in customer service.

3.7 In 2011-12 the Council launched the "Better place, better council" transformational change programme. There are ten programmes currently running and over the coming years every service will be subject to scrutiny and improvement. This will include actively looking at alternative methods of service delivery through the Lean programme, shared services and partnerships with the public, voluntary or commercial sectors.

3.8 Other significant achievements in 2011-12 were:

1. The adoption of new Key Delivery Targets.
2. The achievement of the Customer Service Excellence Standard covering the whole Council.
3. The award of the AAA financial credit risk rating for the Council.
4. The achievement of IIP accreditation.
5. The outsourcing of the management of Leisure Services, providing better value for money.
6. A reduction in the workforce whilst still providing high levels of service.
7. The introduction of a Customer Service Centre.
8. The introduction of a standardised Corporate Complaints system.
9. The opening of G Live – on target and below budget and commercially managed.
10. Continued investment in Councillor training.

11. The establishment of appropriate processes for the management of the HRA debt.

12. Improved the governance arrangements for the management of projects.

All of these demonstrate the Council's sound governance arrangements.

3.9 **The Constitution**

The Council has a comprehensive Constitution that covers the roles and responsibilities of Councillors and officers. The Constitution is kept under continuous review with amendments agreed and issued throughout the year to ensure that it remains relevant to the objectives contained in the Strategic Framework. In 2011-12 a cross party Constitution Working Group was established to improve transparency and increase public participation.

3.10 **Forward Plan and Committee Decisions**

The Council uses the intranet to manage the work programme and decisions of its Committees and the Executive. The system provides automated reminders regarding forthcoming reports and monitors progress on Council decisions. There are meetings every six months to agree the work programme for the Scrutiny Committees. These are attended by the Chairman and Vice-Chairman of the relevant committee.

3.11 **Localism Act**

The Localism Act, which came into force in 2011, will have a significant impact on the Council. We have already started to review our structures and processes in light of the legislation but at the end of 2011-12 we are still waiting for final guidance on significant aspects of the Act, particularly with reference to Ethical Standards and Code of Conduct for Councillors.

3.12 We know that there will be a change to the Standards Regime which will require a change to the Standards and Audit Committee. We have also developed a new Code of Conduct that is being presented to Council on 8 May 2012. The Localism Act raises issues particularly in relation to the planning and housing services. There are still areas that need to be finalised and at the moment the impact on these services is not fully known but we will be continue to keep these areas under review.

3.13 **Standards and Audit Committee**

The Council has a single committee for Standards and Audit that combines the functions of two previously independent committees. In line with best practice the Standards and Audit Committee will submit a report to Council on the work carried out by the Committee in 2011-12. A regular reporting process has also been introduced to advise the Committee of progress against agreed internal audit recommendations and other governance issues such as equalities, risk management, sickness, health and safety, business recovery and data quality.

3.14 **Compliance with Laws and Regulations**

The Council employs appropriate professional staff in relevant fields to provide guidance and advice as required. Part of their role is to ensure that the actions of the Council and individual Councillors and officers comply with relevant laws and regulations, as well as the Council's own policies and procedures. During 2011-12 the Council put in place a programme of continued review to ensure policies comply with employment law.

3.15 Reports to the Executive are reviewed by the Management Team, which includes the S.151 Officer. In addition, the Council has comprehensive Financial Procedure Rules and Procurement Procedure Rules as part of the Constitution that provide guidance on spending decisions to ensure that expenditure is lawful and properly controlled. The Council has also appointed an Acting Monitoring Officer following the retirement of the previous post holder pending a full review of Legal and Democratic Services.

3.16 In 2011-12 we reviewed our processes to ensure that we comply with the Bribery Act that came into force in July 2011. We have carried out an assessment to identify areas of highest risk. In addition we delivered a training programme to Councillors and staff to inform them about their roles and responsibilities under the new Act.

3.17 **Whistleblowing and Complaints**

The Council has a Whistleblowing policy as part of its Constitution. All managers have received guidance in how this should be applied.

3.18 During the last twelve months there has been a complete review on how the Council deals with of corporate complaints. A new policy has been approved and will come into force in 2012-13. Customer complaints are now subject to monitoring with quarterly reports on performance and trends going to Management Team. Further work is planned for 2012-13 to ensure that outcomes from complaints lead to service improvements.

3.19 **Development of Councillors and Senior Officers**

All officers (including senior officers) have one appraisal a year with an option for a second one midway through the year. Officers also have a series of one to one meetings with their line manager to discuss individual performance against agreed targets. This is also an opportunity to identify development needs and training requirements against the Council's objectives.

3.20 All Councillors are offered the opportunity for individual training plans based on an assessment of their needs, taking consideration of their role in the Council and previous training and experience. The plans include personalised training opportunities dependent upon the Councillor's preferred method of training.

3.21 Training is offered through a range of options and this covers a variety of subjects such as Ethical Standards, Planning, Licensing, media, and time management. Further training for staff and Councillors on governance is planned for 2012-13.

3.22 The new KDTs clearly set out the aims and objectives of the Council but they need to be underpinned by a clear set of values that are understood and adhered to by staff at all levels. The work on values and competencies is part of the Transformation Programme and will be rolled out across the Council in 2012-13.

3.23 During 2011-12 the Council demonstrated its ambition to providing excellent customer service by achieving IIP accreditation and being one of the first councils in the country to achieve the Customer Service Excellence standard for all services. This was achieved through our commitment to focus on customer needs and expectations and having robust systems in place to support this.

3.24 **Communication, Consultation and Accountability**

The Council has a well-established process to manage effective communication with residents and stakeholders. All households received four editions of About Guildford in 2011-12 to provide an update on the Council's activities and performance.

3.25 In addition, individual services produce their own publications for residents and customers to provide information and education (i.e. to encourage behaviour changes in matters such as recycling and litter).

3.26 The Council has a corporate identity used to brand communications and services. This helps customers and taxpayers to understand which services we provide and therefore what we are responsible for.

3.27 In 2010 the Council launched a new website. It has improved access to Council services and provides a greater range of options and channels for communication with residents. The aim is to use the web as a channel for two-way communication though online consultation and forums where appropriate. In addition the Council now uses social media such as Twitter and Facebook to communicate with residents. During 2011-12 the Council achieved a three star rating in the SOCITM annual survey. This was an improvement from the one star rating we achieved in 2010-11. We will continue to review the website to improve usability and transactional options.

3.28 In 2011-12 the Council introduced a customer service centre to improve customer service across the Council. Services are gradually being incorporated into the service centre in order to provide a more integrated, consistent and efficient customer experience.

3.29 As a Council we realise the importance of consultation with our residents and community. We already consult widely in line with our Consultation Strategy using for example, publications, surveys, focus groups and a citizen's panel but we recognise the need for greater engagement and involvement with residents and stakeholders in our strategic decision making and service delivery.

3.30 Many of our services actively consult with the community as an integral part of their service delivery. However, our community is changing and we need to be responsive to their developing needs. Consultation has been identified as part of the overall process of transparency and engagement with our residents and customers. The Constitution Working Group has been asked to review the Council's approach to consultation and identify areas for improvement. The group will report in 2012-13.

3.31 **Partnerships**

Partnership arrangements are becoming increasingly important for all local authorities. The Council's Mission Statement reflects this with reference to the provision of first class services through partnership working. The Council already has a number of partnerships, of varying significance. There are examples of best practice in major partnerships such as the Surrey Strategic Waste Partnership and Choice-Based Lettings. The Local Strategic Partnership (LSP) has improved working practices by introducing a performance management framework and all partners carried out a self-assessment to identify how they understand local needs, how these are translated into local priorities and how they identify prospects for future improvement.

3.32 The Council has been working with its partners in the LSP to develop a more Community led approach. A programme of community engagement has been developed to involve residents and local groups in the preparation of an action plan. This will focus on how partners can work with the local community to address their concerns and support residents in developing solutions to:

1. improve skills and employment opportunities
2. improve the health of residents and reducing inequalities
3. support children, young people and their families
4. increase community pride, confidence and cohesion

3.33 The engagement process was launched in October 2011 with workshops for residents and consultation with local community groups.

4. REVIEW OF EFFECTIVENESS

Internal Audit has conducted an ongoing review of the Council's Corporate Governance processes. Audits have been undertaken according to the annual

Audit Plan, which was approved by the Management Team and the Standards and Audit Committee. The Audit Plan is based on a risk assessment that provides guidance as to the frequency of audits. It is also divided over four main themes (Financial Control, Asset Management, Management Control and ICT) specifically to address the main concerns of corporate governance.

4.1 During 2011-12, the planning process was reviewed to ensure the audit plan remains relevant and all of the risk assessments were re-scored to provide an up to date risk score for all auditable areas.

4.2 Internal Audit has produced an overall report on Corporate Governance. It has also undertaken an assessment of corporate governance against CIPFA guidelines and reviewed the standards of internal control including risk and performance management. The overall conclusion is that the system of Internal Control at Guildford Borough Council for the period to 31 March 2012 was sound. An action plan has been produced to address areas identified for improvement.

4.3 All of this activity has been used to inform the Annual Corporate Governance Statement.

4.4 There is a Corporate Governance Group that meets quarterly to discuss any governance issues or concerns. The group comprises senior officers, the Chief Executive as Head of Paid Service, the S151 Officer, the Head of Corporate Development as Acting Monitoring Officer and Head of Audit and the Head of Legal Services. We have also have set up an Information Security Risk Group to review the Council's information governance and appointed a senior manager as the Senior Information Risk Owner who is working with a group of officers to improve information security.

4.5 The Council's financial management arrangements conform to the governance requirements specified in the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010). The CFO is a member of the Management Team and is involved in both the strategic decision making process and all key decisions with a significant financial implication.

4.6 There are two Scrutiny Committees:

1. Corporate Improvement Scrutiny Committee - to lead on functions concerned with the management of the Council's resources, internal services and overall improvement programme.
2. Customer and Community Scrutiny Committee – to lead on functions which have a direct impact on the Council's customers and local communities.

4.7 The Standards and Audit Committee received reports on progress against the activities and findings of Internal Audit, the Council's arrangements to comply with the CIPFA Code of Practice for Treasury Management, risk management, health and safety, equalities, information security, ethical standards, Ombudsman complaints and progress against audit recommendations. The Committee also received an update on the introduction of the International Financial Reporting Standards (IFRS) and its impact on the accounts from the Audit Commission, which allowed the Committee to consider the overall impact on resources.

4.8 The Committee also reviewed and received interim and annual reports from the Audit Commission, the Council's external auditors.

5. SIGNIFICANT GOVERNANCE ISSUES

This year has been a period of change and development. There have been continuing financial pressures and we have had to make some tough decisions. Despite this challenging environment there have been some significant achievements and continuing improvement in the Council’s overall governance arrangements. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

SIGNED: ………..................……………………… DATE…………………………
Leader of the Council on behalf of Guildford Borough Council

SIGNED: ……………………………………………DATE…………………………
Chief Executive on behalf of Guildford Borough Council