

Statement of Accounts 2010/11

RUNNYMEDE BOROUGH COUNCIL USEFUL INFORMATION

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Mayor and Deputy Mayor in the 2010/11 Municipal Year

Mayor: Councillor Mrs M Roberts
Deputy Mayor: Councillor D W Parr

Chairmen of Committees in 2010/11

Corporate Management Committee	Councillor J R Furey
Crime and Disorder Committee	Councillor P Tuley
Economic Development Committee	Councillor P I Roberts
Englefield Green Committee	Councillor P Taylor
Housing and Community Services Committee	Councillor H W V Meares
Leisure and Environment Committee	Councillor M J Brown
Licensing Committee	Councillor Mrs P I Broadhead
Overview and Scrutiny Select Committee	Councillor P Tuley
Planning Committee	Councillor G B Woodger
Regulatory Committee	Councillor D W Parr
Standards and Audit Committee	Mr S Tully

Chief Officers in 2010/11

Chief Executive	Mr P Turrell
Director of Administration and Leisure	Mr A M Pearson (to 31 March 2011)
Director of Finance	Mr S R Cawthorne (to 31 March 2011)
Director of Technical Services	Mr P Sims
Director of Housing and Community Services	Mrs D Blowers
Corporate Head of Governance and Assets	Mr M Leo (from 1 April 2011)
Corporate Head of Finance	Mr R S Hanger (from 1 April 2011)

External Auditor in 2010/11

Appointed Auditor: KPMG LLP
Address: 15 Canada Square,
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London, E14 5GL

Bankers in 2010/11

Bankers: Co-Operative Bank,
Address: 17 High Street,
Kingston-upon-Thames,
Surrey, KT1 1LP

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FINANCIAL REVIEW OF 2010/11 BY THE CORPORATE HEAD OF FINANCE

INTRODUCTION

The purpose of these Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the finances of Runnymede Borough Council. It provides information on:

- The cost of the services we provide
- Our sources of income
- Assets and liabilities at the year-end

The statements are in a format that meets legal and professional accounting requirements. In particular, the statement follows the *Code of Practice for Local Authority Accounting in the United Kingdom 2010* (the Code) and associated guidance. The overriding requirement of the Code is that the Statement of Accounts gives a true and fair view of the financial position of the Council.

These Statements were audited and published in December 2011. Regulations require the Council to publish audited accounts by the end of September. Regrettably, the production of the accounts was delayed whilst legal obligations and the subsequent technical accounting issues surrounding pension accounting were being resolved. These issues are explained in the Pension Accounting part of this Review.

I also hope that these Statements are a readable guide to the financial affairs of Runnymede Borough Council.

TOP MANAGEMENT RESTRUCTURING

In October 2010, the Corporate Management Committee resolved to adopt a revised corporate management structure for the Council from 1 April 2011. On 31 March 2011 the Director of Administration and Leisure, Andrew Pearson, and the Director of Finance, Stuart Cawthorne, left the Council on voluntary early retirement. Without increasing the remaining establishment, two new posts of Corporate Head of Governance and Assets and Corporate Head of Finance were created on a new management grade from 1 April 2011, set at a lower level than Directors.

As the new Corporate Head of Finance, it is my duty to introduce the Council's Statement of Accounts for 2010/11.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

This is the first set of accounts for Runnymede Borough Council to be based on International Financial Reporting Standards (IFRS). Up to 2009/10, our accounts are broadly compliant with what is termed "Generally Accepted Accounting Practices" ("UK GAAP").

The Chancellor's Budget report in March 2008 announced his decision to require local authorities to report on an IFRS basis from 2010/11. Local authorities had already taken significant steps towards IFRS, particularly with the introduction of the UK versions of the IFRS-based financial instruments standards in their 2007/08 accounts. Indeed, UK GAAP and IFRS have many similarities. However, there are different accounting treatments and the key changes in accounting practice arising from the introduction of IFRS are:

- There are new financial statements with amended layouts, and there are additional requirements regarding segmental reporting.
- Capital grants and contributions are recognised as income immediately rather than being deferred and released to match depreciation.
- There is a greater emphasis on component accounting in respect of depreciation and valuation of property, plant and equipment.
- Property leases are classified and accounted for as separate leases of land and buildings.
- Other arrangements that contain the substance of a lease are now recognised.

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- Investment properties are measured at fair value, with gains and losses recognised in the Comprehensive Income and Expenditure Account rather than through the Revaluation Reserve.
- Impairment losses are taken initially to the Revaluation Reserve to the extent that there is a balance on that reserve relating to the specific asset.
- There is a new classification of non-current assets held for sale.

The starting point for introducing IFRS is *IFRS 1 First-time Adoption of International Financial Reporting Standards*. IFRS 1 requires retrospective application; that is, we must restate our accounts as if we had always used IFRS for our accounts. This means that the figures in our Statement of Accounts for 2009/10 have been restated, including a restated balance sheet at 1 April 2009, on an IFRS basis. IFRS 1 sets out extensive disclosure requirements that require the organisation to set out the changes made. IAS 1 *Presentation of Financial Statements* also introduces extensive additional on-going disclosures, for example, more information about judgements made in coming to figures for items such as valuations, bad debts and estimates of amounts owed or owing. These statements include extensive reconciliations and explanations of the financial statements prepared under UK GAAP rules with the new IFRS statements.

The government has made regulations so that, where appropriate, accounting entries arising from IFRS are "reversed out" for the purposes of determining Council Tax, council house rents and available reserves. A number of such mitigation measures have previously been established as part of the move towards adopting UK GAAP, for example, pension accounting entries made under IAS 19 are reversed out and replaced with the sums determined by the fund actuary. There are no retrospective changes to the way that the charges to local taxation or council rents are made. However, some of the accounting changes introduced by IFRS may impact on future local taxation and council rents.

There has been a significant amount of work to prepare for this transition to IFRS. The changes to existing accounting practice are significant and we have developed systems and processes to meet the revised requirements. The introduction of IFRS was carried out in house, with the main extra burden being on accounting and valuation staff. Inevitably, the time spent on introducing IFRS means that there has been less time available for other work.

OVERALL FINANCIAL OUTLOOK

Runnymede Borough Council has been facing significant financial challenges for a number of years.

In 2005 Runnymede Borough Council was subjected to council tax capping, even though Runnymede levied one of the lowest council taxes in England. The government has since reiterated that they would cap any local authority that issued "excessive council tax increases". The Runnymede level of band D local tax was the sixth lowest in England in 2010/11.

However, this level of council tax is too low to support the present level of spending on services. Only large withdrawals from balances allow the current spending on services to be supported, but this is not a policy that can be sustained because our reserves are close to exhaustion. In order to bring the budget into balance it is necessary to reduce our net expenditure on services significantly.

The recent recession and current economic climate has also increased the financial and operational risks to which the Council is exposed. Income from property related services has fallen and income from investments has fallen significantly as a result of low short-term interest rates.

In June 2010, the Coalition Government took quick steps to bring public spending back under control. Runnymede Borough Council is not immune to the changes that the government announced. For 2010/11, the government withdrew a range of grants to local authorities. The main impact on Runnymede was the withdrawal of Housing and Planning Delivery Grant, which our Budget had assumed would provide £0.213m of income.

The Coalition Government has also introduced a range of austerity measures to reduce and control public spending. In December 2010 the Government published details of the Council's grant

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entitlement for the next two years. Runnymede's formula grant of £5.620m in 2010/11 reduces by £1.3m to £4.3m in 2011/12 with a further £0.5m reduction to £3.8m in 2012/13. With limited prospects of significant increases in either fee income or Council Tax, it means that any loss of grant will have to be matched by equivalent savings. In February 2011 the Council approved a fresh target of £1.3m extra savings. For Runnymede this represents a further acceleration of the retrenchment that has been a feature of its budgets for the last five years.

In the past, when the Council had larger revenue reserves and capital receipts, it could face an uncertain future with some confidence that it had the financial flexibility to meet additional costs or phase in the necessary revenue reductions over a medium-term timescale. Now that these reserves and receipts are much lower, that flexibility is no longer available. There are also still significant risks that could result in significant additional cost or reduced income.

Our General Fund Balance at 31 March 2011 stands at £2.993m. This is a substantial sum, but our budget for 2011/12 relies on the use of £2.104m of reserves alone. In order that General Fund balances are restored to a more acceptable level, a further transfer from the Housing Revenue Account will be made in 2011/12. Our financial plans will continue to be updated and revised to take account of the more difficult circumstances that we now face. In particular, it is very important that sufficient savings are achieved before reserves become exhausted.

THE ACCOUNTING STATEMENTS

The main financial statements are divided into 'core' statements and 'supplementary' statements. The core statements are the:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement.

The supplementary statements are:

- Housing Revenue Account (HRA) Income and Expenditure Statement
- Collection Fund.

The purpose of each of these statements is set out at the head of each statement and they are supported by notes.

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

All the services provided by Runnymede Borough Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This account shows the equivalent of trading profits and losses in the IFRS sense, and discloses a loss in 2010/11 of £45.614m. This is a significant change compared to the loss of £2.055m for 2009/10.

There are two main reasons for the volatility in the results:

- Accounting for pensions
- Accounting for changes in the value of non-current assets.

The changes resulting from the accounting entries for pensions are explained later in my report.

The Comprehensive Income and Expenditure Statement accounts for changes in the value of council housing in accordance with the guidance on stock valuations for housing assets for 2010/11 issued by the Department for Communities and Local Government (DCLG). This guidance changed the adjustment factor to be applied to the valuation of council houses to calculate their existing use value as social housing properties (the figures represented in the Balance Sheet). This had the effect of reducing the balance sheet value of these properties by £69m. In accordance with accounting standards, the Income and Expenditure Statement for 2010/11 treats this reduction as impairment.

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In contrast, the Income and Expenditure Statement for 2009/10 included a credit of £27.5m, which itself reversed a loss reported in 2008/09. In this instance, the credit reflected a recovery in the housing market during 2009/10 that increased the value of our council housing stock.

The Movement in Reserves Statement reconciles the result on the Comprehensive Income and Expenditure Statement with the statutory provisions that local authorities need to take into account when setting local taxes. The entries in this Statement turn the loss of £45.614m into a small reduction in the General Fund Balance of £50,000 (in 2009/10, a decrease of £2.416m).

The significant items included in the Comprehensive Income and Expenditure Statement, but financed from other resources and not a factor in setting local taxes, include:

- Depreciation, amortisation and impairment of fixed assets (now renamed non-current assets).
- Revenue expenditure funded from capital resources as allowed under statute.
- Gains and losses on the disposal of fixed assets calculated in accordance with IFRS principles.
- Pension costs calculated in accordance with the IAS19 accounting standard.

These factors are not peculiar to Runnymede but are common to all local authorities.

Comparing our performance in 2010/11 to our budget

The Council set its Budget and council tax for 2010/11 at a meeting of the full Council in February 2010. The following table compares the major elements of the budget and the result in 2010/11:

Comparison of budget to result for the General Fund in 2010/11			
Budget element	Budget £000	Actual £000	Variance £000
Net expenditure on General Fund services	12,294	13,174	(880)
Investment income for the General Fund	(360)	(413)	53
Transfers to and from other reserves	314	314	-
Final-year pay enhancement pension charge for 2010/11	0	158	(158)
Transfers from HRA balances	0	(3,000)	3,000
General government grant (Formula Grant)	(5,620)	(5,620)	-
Council tax	(4,563)	(4,563)	-
Decrease in General Fund Balance	2,065	50	2,015

Net expenditure on services

Net expenditure on General Fund services increased by £0.880m compared to the original budget, and the need to account for final-year pay enhancement pensions in the General Fund added a further £158,000 charge in 2011/12. However, the Council resolved to make a transfer from HRA balances of £3m. The net result was that the reduction from balances was £2.015m less than anticipated when the original budget was set.

The significant changes in service based spending – comparing the budget to the actual net expenditure – are listed below:

- Housing services – additional grants and reduction in costs (£0.144m reduction).
- Community Services - savings from efficiencies and increased income (£0.185m reduction).
- Refuse Collection and recycling - net cost of new arrangements following the move to alternate weekly collections (£0.187m increase).
- Housing and Planning Delivery Grant withdrawn (£0.213m increase).
- Planning and Building Control - lower fee income (£0.057m increase).
- Yellow Bus Scheme - lower income (£0.076m increase).

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- Employee termination costs (£0.949m increase).
- Leisure Trust - set up costs (£0.070m increase).
- Maintenance budgets - costs not able to be capitalised (£0.113m increase)

There remains a particular strain on income sources that comes from activity in the property market (e.g. planning fees); despite these budgets being adjusted downwards at the time the original estimate was made.

A notable feature in 2010/11 was the increase in housing and council tax benefit awarded. Total benefit of £24.1m was awarded, an increase of £1.6m on the £22.5m awarded in 2009/10. Government grant reimburses all benefit correctly awarded, so the impact on the Council is broadly revenue neutral.

The Council publishes an annual "Budget Book" that provides details about the cost of our services and how these compare to past budgets, and a "service committee actuals" booklet that compares spending against budget within the year. Readers who wish to look at more information about our budgetary performance may find these documents useful. Both of these publications can be found on the Council's website.

Treasury Management

The world of treasury management has changed significantly since the fall of Northern Rock in September 2007 and the credit crisis that took hold in the autumn of 2008. It remains a challenging time in regard to treasury activities. Treasury management has a high profile in Runnymede and treasury policies were refined throughout the year to take account of best practice and to amend the Council's lending criteria in the light of market developments. The security of investments has always been the main emphasis of our treasury strategy as holding an investment with a failed institution could have a catastrophic impact on our financial strategy.

Total investment income was £0.461m in 2010/11, of which £0.413m was credited to the General Fund. For many years, investment income generated a significant part of the resources that allowed the Council to spend on services whilst maintaining a low council tax. Now this income is significantly lower. In this respect, the Council is no different from other savers.

IMPACT OF THE ECONOMIC CLIMATE

The economic climate has a significant impact on the valuation of assets and liabilities, and the cost of services that the Council provides.

Fixed asset valuations

Our tangible and intangible assets carried in the Balance Sheet at current value are normally revalued at intervals of not more than 5 years. This treatment is normally sufficient to provide reasonably robust asset valuations in our Balance Sheet.

However, the present economic climate has resulted in more volatile asset values. I have carefully considered those assets that may require a formal revaluation in consultation with the Valuer to the Council. Those assets where values have changed materially have been subject to a formal revaluation. As ever, it must be appreciated that valuation is not a precise science. The great majority of our assets are used in the provision of real services and will remain so for the foreseeable future. In this respect, the current value of the assets has no bearing on the immediate provision of our services.

Financial assets

Banks and building societies that held very good credit ratings at the start of 2008 have since either failed, or have received significant government support, or seen significant falls in their credit status. Note 42 to these accounts summarises the investments held with UK banks and building societies. I expect these institutions to repay these investments in full when they become due.

Income from customers and tenants forms an important part of the resources required to pay for our services. Where possible, we prefer payment in advance or at the time our services are delivered. In

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other cases we invoice our customers for sums due to the Council. I have carried out a full review of the debts that are outstanding at 31 March 2011. The cost of any impairment (bad debts in this case) is included in the Comprehensive Income and Expenditure Statement.

Income on services

The recession has led to lower income from our property related services and increased demand for some of our services (e.g. benefits, homelessness).

Government grants to local authorities

The impact of the current state of national public finances means that Government grants will reduce significantly. For Runnymede Borough Council – a low tax authority – cuts in government grants means the pressure on service budgets is now severe.

PENSION ACCOUNTING

The provision of public service pensions represents a substantial revenue cost and a long-term liability for the Council. In March 2011, the independent commission led by Lord Hutton presented its review of the long term affordability of public sector pensions. Decisions taken from the review will inevitably have a significant bearing on the future funding of the local government pension scheme.

Surrey Pension Fund

Runnymede Borough Council is a contributor to the statutory pension fund administered by Surrey County Council. The fund actuary (Hymans Robinson) calculates the position for each contributing body separately and undertakes a statutory valuation of the Surrey Pension Fund every three years. This valuation does not use the IAS19 pension accounting rules used in compiling these Statements, although many of the assumptions are similar. The latest valuation (with a valuation date of 31 March 2010) compiled by Hymans Robinson disclosed a deficit for the Runnymede share of the pension fund as £12.9m, a funding level of 81.1%. The deficit means that the assets (mainly investments in shares, property and bonds) in the Pension Fund are not sufficient to meet liabilities (the pensions payable).

Accounting for Pensions under IAS19

Pension costs in these accounts are based on the accounting standard IAS19 *Employee Benefits*. Legislation prevents certain accounting entries introduced by IAS19 from impacting on council tax levels and housing finances. Therefore, the difference between the charge to taxation and rents (set by the fund actuary) and the IAS19 entries is financed by an appropriation to a Pensions Reserve.

These accounts provide detailed disclosures on the assets and liabilities of the Pension Fund under the IAS19 accounting rules. Under IAS19, the position of the Runnymede element of the Fund as at 31 March 2011 is a deficit of £15.222m, a reduction of £21.005m on the deficit at March 2010 of £36.227m. The main reason for the change is a reduction in the valuation of liabilities (the cost of the obligation to meet pensions). Liabilities reduced significantly in the year as a result of falling long-term inflation expectations, and with the change in the index used to increase pensions from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) from April 2011.

The pension fund deficit of £15.222m is of course a very significant amount. Care needs to be taken in interpreting these figures, and it is important to remember that pensions are long-term assets and liabilities. IAS19 discloses the position of a pension fund at a point in time, based on the stated financial assumptions. However, it is the long-term position of the Fund disclosed in the Actuary's triennial valuation that determines the amounts that must be provided for pension commitments.

In 1990, the Council introduced a scheme whereby staff with 10 years satisfactory service with Runnymede qualified for a 10% final-year enhancement of salary. The scheme was abolished with effect from 1 April 2011. In March 2011, Counsels advice commissioned by Runnymede and the Surrey Pension Fund concluded that the final-year salary enhancements were not pensionable pay under the rules of the Local Government Pension Scheme (LGPS). The accounting treatment of these pensions is broadly the same whether the pension liability sits inside the LGPS or elsewhere.

However, there is a direct impact on the General Fund balance of this change. The charges to the General Fund for pensions through the LGPS are limited by Regulations to those cash sums

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determined by the Fund Actuary. However, there are no mitigating rules for pension payments made outside the statutory scheme. Therefore, the liabilities for pensions that sit outside the LGPS are a direct charge to the General Fund. The liability for the final-year pay enhancement pensions totalled £1,418,000 at 31 March 2011 and this reduces the General Fund balance accordingly.

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council. The Statement contains the entries needed between reserves to reflect the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwelling rent setting purposes, and those necessary to reflect the capital financing control regime for local authorities.

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 are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. For example, the capital receipts reserves 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).

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.

HOUSING REVENUE ACCOUNT

Runnymede Borough Council owns and manages a total stock of some 3,000 dwellings. All revenue expenditure and income on council housing is contained within the Housing Revenue Account (HRA) Income and Expenditure Account, and is reconciled to the statutory provisions for the HRA in the Statement of Movement on the HRA Balance. The following table compares movement in the HRA balances from the original budget to the result for 2010/11:

Comparison of budget to actual for the net cost of HRA services in 2010/11			
	Budget	Actual	Variance
	£000	£000	£000
Management expenses	3,301	3,058	243
Housing repairs and maintenance (total)	5,110	3,909	1,201
Depreciation and other expenses	2,269	2,247	22
HRA subsidy paid to the government	6,081	6,076	5
Transfer to Major Repairs Reserve	0	177	(177)
Transfer to the General Fund	0	3,000	(3,000)
Total expenditure	16,761	18,467	(1,706)
Total income from rents and charges	14,531	14,530	-
Investment income	79	41	(38)

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Use of capital reserves	2,244	2,244	-
Total income	16,854	16,815	(38)
Increase (decrease) in HRA balances	93	(1,652)	(1,744)

The main source of income to the HRA is property rents. Rents were increased in April 2010 by a flat rate 3.0% over the average rent level set in 2009/10.

The main changes between the original budget and actual expenditure arose are listed below:

- Management expenses: A mix of savings on staffing, support service and other costs.
- Housing repairs: The main change was a slippage in the major works & kitchen refurbishment programmes which resulted in lower expenditure of around £0.830m, and savings of £0.217m in maintenance budgets.
- A net transfer of £0.177m to the Major Repairs Reserve
- The Council approved a transfer from HRA balances to the General Fund of £3m.

In 2010/11 overall capital expenditure on capital repair and improvements to our housing stock totalled £2.067m and this was fully financed from resources in the Major Repairs Reserve. However, largely as a result of slippage in the kitchen refurbishment programme, we did not fully utilise the Major Repairs Reserve and therefore the balance of £0.177m was carried forward to 2011/12.

The HRA working balance started the year with a surplus of £3.223m. This coupled with the surplus of HRA income over expenditure during the year, allowed the Council to approve a transfer to the General Fund of £3m in 2010/11. The year-end HRA balance is £1.571m.

In February 2011, the government announced its intention to replace the current HRA Subsidy system with a self-financing model by way of an allocation of national housing debt. The government has indicated that the Runnymede share of the national housing debt is £103.7m. Although taking on a debt of this size seems daunting, the financial modelling exercise indicates that this settlement is beneficial for the HRA.

COLLECTION FUND - LOCAL TAXATION

The Collection Fund shows the net expenditure requirements for local services charged by Surrey County Council, Surrey Police Authority and Runnymede Borough Council and income from the council tax and business rates. The following table shows the council tax band D charges in 2009/10 and 2010/11, and the percentage increase for each element of the charge:

Council tax at band D in 2009/10 and 2010/11			
	2009/10 £	2010/11 £	Increase %
Surrey County Council	1,089.18	1,116.36	2.50
Surrey Police Authority	197.10	198.54	0.73
Runnymede Borough Council	132.93	136.89	2.98
Total council tax at band D	1,419.21	1,451.79	2.30

Council tax income in 2010/11 was £48.825m, an increase of £1.759m (3.7%) over 2009/10. After allowing for precepts and contributions of £48.533m distributed between Runnymede Borough Council, Surrey County Council, and Surrey Police, the result for the Collection Fund is an in-year surplus of £292,000. This has increased the Fund balance to a surplus of £308,000 at 31 March 2011.

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Runnymede Borough Council takes its duties of collection and recovery of local taxes very seriously. Taxpayers are expected to pay the right amount of tax on time. Vigorous recovery action is taken to ensure that those who do not pay, or who do not pay on time, are pursued. The council tax arrears reported in these statements are the share of total arrears attributable to the Runnymede Borough Council share of council tax only. Overall arrears of council tax, including arrears of court costs, stood at £1.261m at 31st March 2011 (£1.354m at 31st March 2010).

The business rates collectible in 2010/11 was £40.517m, a reduction of £860,000 (2.1%) over 2009/10. Business ratepayers' arrears including arrears of court costs stood at £0.455m as at 31st March 2011 (£0.466m at 31st March 2010).

CAPITAL FINANCE

Capital Expenditure

Capital expenditure in 2010/11 totalled £3.481m. This was financed by the use of reserves, capital receipts, and grants and contributions. The largest capital schemes during the year were improvement works to Council dwellings (£2.066m), and improvement grants and loans for private sector property improvements (£0.625m). More information on our capital schemes and how they were financed is given in the notes to the accounts.

The revised budget for capital expenditure was £6.388m. The main reasons for the lower spending arose from:

- Grants to registered social landlords to help finance schemes for new affordable housing - no grants were made and the revised budget of £0.700m (original budget £1.4 million) was not used.
- Expenditure on major repair and improvement programmes for the council housing stock was £0.593m less than estimated.
- Vehicles purchases of £0.250m for community services vehicles and £0.711m for refuse and other works vehicles did not take place in 2011/12. These budgets will move to 2011/12.

Timing differences (e.g. slippage in implementation or project re-phasing) account for many other variances. In the main, these capital budgets have been carried forward into 2011/12

Capital receipts

The usable capital receipts in hand at 31 March 2010 were £5.512m. There were new receipts in the year totalling £1.108m, and £1.098m of receipts were applied in the year. The balance of usable capital receipts at 31 March 2011 is £5.522m.

Capital receipts can be used to pay for capital expenditure and, until they are spent, they also generate investment income. There is a programme of asset sales to strengthen these reserves, and meeting the targets set out in our disposal programme is a major challenge, particularly in the current financial climate.

Housing capital receipts pooling

A proportion of our housing capital receipts are, by law, paid over to the Government. We must pay 75% of the receipts from sales of dwellings made under the Right-to-Buy arrangements to the government, reduced only by specified sums set out in regulations. In 2010/11 this payment was £0.252m. For other housing capital receipts, we have the choice of paying a proportion over to the Government pool, or retaining the receipt to use on housing schemes. Our choice is to retain receipts locally wherever possible.

AUDIT

The auditor appointed by the Audit Commission for the Council is Andrew Sayers of KMPG LLP.

Regulations give members of the public a statutory right for 20 working days to inspect the accounts before the audit is completed. For 2010/11 the inspection dates were Monday 4 July 2011 until Friday 29 July 2011 inclusive. The appointed day for raising queries with the External Auditors was Monday 1 August 2011.

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The Auditor has issued a *Report to those charged with governance (ISA 260) 2010/11* that sets out the key issues the auditor identified during their audit of the Statement of Accounts. This report is available on the Council's website.

CONCLUDING REMARKS

I conclude by setting out the financial challenge that faces Runnymede Borough Council.

The Council holds significant usable financial reserves.

- The General Fund Balance stands at £2.993m and other General Fund revenue reserves total £1.607m at 31 March 2011.
- The balance in the ring-fenced Housing Revenue Account stands at £1.571m.
- Usable capital receipts are £5.522m at 31 March 2011.

However, the Council would now be facing significant further budget cuts to avoid a deficit on the General Fund balances if it was not for the £3m transfer from HRA balances to the General Fund made in 2010/11. The Budget for 2011/12 is based on using £2.104m of the General Fund Balance to support service spending, and this pace of using reserves is not sustainable.

The impact of the recession and the need to repair national public finances is likely to remain with the Council for some time. Government grants have been reduced or constrained and this is combined with low or no Council Tax increases. The financial position of Runnymede – with a low level of Council Tax that it is unlikely to be able to increase significantly – means that it is in a particularly poor position to absorb these changes.

Each year, Runnymede Borough Council refreshes its spending and taxation plans for the next five years in a document called the "Financial Forecast". This document is available on our web site at www.runnymede.gov.uk. Our financial strategy is based on net revenue reductions being phased in to bring income and expenditure into balance, generation of income from the Council's land and property portfolio, and also from other income streams. However, the time available to carry this out is running short. There is now an increased risk that revenue reserves will fall to the minimum level before sufficient sustainable savings are made. This would be a desperate position, leaving the Council little option but to stop spending on all but the most critical services.

I have set out in a statement on page 12 the responsibilities of the Council and my responsibilities as the Corporate Head of Finance for the accounts. This shows the requirements of the legislation together with my professional and legal responsibilities for the Statement of Accounts.

My predecessor, Stuart Cawthorne, left on 31 March 2011 on voluntary early retirement after 19 years service to this Council. He earned the respect and appreciation of the Council and his courteous manner is missed by colleagues.

FURTHER INFORMATION

Further information is available from the Finance Department at the Runnymede Civic Centre, Addlestone. Our web site is www.runnymede.gov.uk. The Council also publishes the Runnymede Voice magazine twice a year, which is distributed free to all households in the Borough, and provides further information on the work and plans of the Council.

Mr R S Hanger
Corporate Head of Finance
December 2011

STATEMENT OF RESPONSIBILITIES

The Council's responsibilities

Runnymede Borough Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Head of Finance;
 - Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
 - Approve the Statement of Accounts.
-

The Corporate Head of Finance's responsibilities

The Corporate Head of Finance is responsible for the preparation of the authority'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 Corporate Head of Finance 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 Corporate Head of Finance has also:

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

Certificate by the Corporate Head of Resources

I certify that the Statement of Accounts for 2010/11 presents a true and fair view of the financial position of Runnymede Borough Council at the reporting date and its income and expenditure for the year ended 31 March 2011. These financial statements replace the unaudited financial statements published on 30th June 2011.



Mr R S Hanger
Corporate Head of Finance

Date: 13 December 2011

Certification of approval by the Corporate Management Committee

The Statements of Accounts 2010/11 were approved by the Corporate Management Committee of the Council on 13 December 2011.



Councillor P Roberts
Chairman of the Corporate Management Committee and
Leader of the Council

Date: 13 December 2011

AUDITOR'S REPORT

Independent auditor's report to the members of Runnymede Borough Council

We have audited the financial statements of Runnymede Borough Council for the year ended 31 March 2011 on pages 17 to 106. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Corporate Head of Finance and auditor

As explained more fully in the Statement of the Corporate Head of Finance's Responsibilities, set out on page 12, the Corporate Head of Finance is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's 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 Corporate Head of Finance; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's 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 2010/11.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement set out on pages 109 to 117 the governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

AUDITOR'S REPORT

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

However, we have one matter to report as required by the Code of Audit Practice 2010 for Local Government Bodies:

- we have raised one recommendation under section 11(3) of the Audit Commission Act 1998 in relation to concerns about the Authority's medium-term reserves position forecast. In view of the relatively low level of reserves held by Authority, we recommend that the Authority should undertake a detailed review of its financial position to satisfy itself that it will be able to maintain an appropriate minimum prudent level of reserves for the next five years.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

AUDITOR'S REPORT

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Runnymede Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011 except for:

- The Authority's medium-term reserves position is predicated upon investment income generated by the sale of capital assets. Due to timing and sale price risks associated with capital asset disposals, we have raised a recommendation under section 11(3) of the Audit Commission Act 1998 that the Authority should undertake a detailed review of its financial position to satisfy itself that it will be able to maintain an appropriate minimum prudent level of reserves for the next five years.

Certificate

We certify that we have completed the audit of the financial statements of Runnymede Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.



Andrew J Sayers
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

21 December 2011



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MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (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 accounting cost of providing the Council's services, more details of which are shown on the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwelling 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 made by the Council.

Movement in reserves during 2010/11

Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Surplus or (deficit) on provision of services	3,012	0	(67,857)	0	0	0	(64,845)	0	(64,845)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	19,231	19,231
Total Comprehensive Income and Expenditure	3,012	0	(67,857)	0	0	0	(64,845)	19,231	(45,614)
Adjustments between accounting basis and funding basis under regulations	7 (5,878)	0	69,206	177	10	0	63,515	(63,515)	0
Net increase / (decrease) before transfers to earmarked reserves	(2,866)	0	1,349	177	10	0	(1,330)	(44,284)	(45,614)
Transfers to / (from) earmarked reserves	8 2,816	143	(3,000)	0	0	41	0	0	0
Increase / (decrease) in the year	(50)	143	(1,651)	177	10	41	(1,330)	(44,284)	(45,614)
Balance at 31 March 2010	3,043	1,464	3,222	0	5,512	64	13,305	288,057	301,362
Increase / (decrease) in the year	(50)	143	(1,651)	177	10	41	(1,330)	(44,284)	(45,614)
Balance at 31 March 2011	2,993	1,607	1,571	177	5,522	105	11,975	243,773	255,748

MOVEMENT IN RESERVES STATEMENT

Movement in reserves during 2009/10										
	Notes	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Surplus or (deficit) on provision of services		(9,782)	0	26,709	0	0	0	16,927	0	16,927
Other comprehensive income and expenditure		0	0	0	0	0	0	0	(18,982)	(18,982)
Total Comprehensive Income and Expenditure		(9,782)	0	26,709	0	0	0	16,927	(18,982)	(2,055)
Adjustments between accounting basis and funding basis under regulations	7	7,123	0	(26,575)	0	(1,409)	(175)	(21,036)	21,036	0
Net increase / (decrease) before transfers to earmarked reserves		(2,659)	0	134	0	(1,409)	(175)	(4,109)	2,054	(2,055)
Transfers to / (from) earmarked reserves	8	243	(243)	0	0	0	0	0	0	0
Increase (decrease) in the year		(2,416)	(243)	134	0	(1,409)	(175)	(4,109)	2,054	(2,055)
Balance at 31 March 2009		5,459	1,707	3,088	0	6,921	239	17,414	286,003	303,417
Increase / (decrease) in the year		(2,416)	(243)	134	0	(1,409)	(175)	(4,109)	2,054	(2,055)
Balance at 31 March 2010		3,043	1,464	3,222	0	5,512	64	13,305	288,057	301,362

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. Rather than the amount to be funded from taxation. 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.

Year ended 31 March 2010				Year ended 31 March 2011		
Expend	Income	Net	Note	Expend	Income	Net
£000	£000	£000		£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations						
5,863	4,871	992	Central services to the public	6,177	5,020	1,157
17,708	4,761	12,947	Cultural, environmental, regulatory and planning services	14,122	5,038	9,084
1,439	1,097	342	Highways and transport services	1,454	1,095	359
(12,775)	14,206	(26,981)	Local authority housing (HRA)	82,086	14,478	67,608
21,061	19,773	1,288	Other housing services	22,331	20,833	1,498
2,419	814	1,605	Adult social care	2,933	814	2,119
1,739	0	1,739	Corporate and democratic core	1,749	17	1,732
5	0	5	Exceptional costs - Redundancy & retirement	1,035	0	1,035
0	0	0	Non distributed costs	0	8,345	(8,345)
37,459	45,522	(8,063)	Cost Of Services	131,887	55,640	76,247
1,954	0	1,954	Other Operating Expenditure	9	252	(315)
1,458	1,755	(297)	Financing and Investment Income and Expenditure	10	1,019	(559)
0	10,521	(10,521)	Taxation and Non-Specific Grant Income	11	0	(10,528)
40,871	57,798	(16,927)	(Surplus) or Deficit on Provision of Services	133,158	68,313	64,845
		1,517	(Surplus) or deficit on revaluation of non current assets	23a		(5,881)
		17,465	Actuarial (gains) or losses on pension assets and liabilities	39		(13,350)
		18,982	Other Comprehensive Income and Expenditure			(19,231)
		2,055	Total Comprehensive Income and Expenditure			45,614

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 are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are 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 2009	31 March 2010		Note	31 March 2011
£000	£000			£000
270,656	294,385	Property, plant and equipment	12	229,407
16,237	16,521	Investment property	13	16,246
13,899	11,623	Surplus assets held for disposal	12	9,715
263	262	Intangible assets	14	290
9,002	3,547	Long-term investments	15	1,879
612	535	Long-term debtors	15	560
310,669	326,873	Long Term Assets		258,097
4,149	9,152	Short-term investments	15	12,434
95	84	Inventories and work in progress	17	92
7,736	4,714	Short-term debtors and payments in advance	16	3,284
(1,067)	(1,085)	Provision for bad debts on gross debtors	16	(877)
3,011	4,681	Cash and cash equivalents	18	5,304
2,125	0	Assets held for sale	19	1,600
16,049	17,546	Current assets		21,837
(27)	(139)	Short term borrowing	15	(115)
(4,999)	(6,678)	Short-term creditors	20	(8,809)
0	0	Provisions	21	(35)
0	(6)	Capital grants received in advance	33	(5)
(5,026)	(6,823)	Current liabilities		(8,964)
(18,258)	(36,227)	Liability related to pensions	39	(15,222)
(18)	(7)	Liability related to finance leases		0
(18,276)	(36,234)	Long Term Liabilities		(15,222)
303,416	301,362	NET ASSETS		255,748
17,414	13,305	Usable reserves	22	11,975
286,002	288,057	Unusable reserves	23	243,773
303,416	301,362	TOTAL RESERVES		255,748

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, and 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.

2009/10 £000		Note	2010/11 £000
(15,488)	Net (surplus) or deficit on the provision of services		64,845
12,619	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(69,466)
6,426	Adjustments for items included in the net surplus on the provision of services that are investing or financing activities		518
<u>3,557</u>	Net cash flow from Operating Activities		<u>(4,103)</u>
(3,806)	Investing Activities	25	3,515
(1,421)	Financing Activities	26	(35)
<u>(1,670)</u>	Net increase or decrease in cash and cash equivalents		<u>(623)</u>
(3,011)	Cash and Cash equivalents at the beginning of the reporting period		<u>(4,681)</u>
<u><u>(4,681)</u></u>	Cash and Cash equivalents at the end of the reporting period	18	<u><u>(5,304)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

(a) General Principles

The Statement of Accounts summarises the transactions for the 2010/11 financial year and the position at the year-end of 31 March 2011. The Accounts and Audit Regulations 2011 require the Council to prepare an 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 2010/11* (the Code) and the *Best Value Accounting Code of Practice 2010/11*: (BVACOP) which are issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and franked by the Financial Reporting Advisory Board.

The accounting convention adopted in these financial statements is historical cost modified by the revaluation of certain categories of non-current assets and financial instruments.

(b) Changes in Accounting Policies

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

The Statement of Accounts for 2010/11 is the first set to be prepared in accordance with International Financial Reporting Standards (IFRS). Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from those reported in our Statement of Accounts for 2009/10.

More detail on these changes is contained in note 43.

The significant changes in accounting policies introduced by the Code to deliver IFRS compliant statements are summarised below:

- Accounting for non current assets: The Code introduced a distinction between accounting for impairment losses and revaluation losses, and a change in the accounting for reversal of valuation decreases. Component accounting for significant elements of an asset is given greater emphasis. Residual values of assets are assessed at each balance sheet date.
- Accounting for assets held for sale: The Code requires authorities to account for assets held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as adapted to fit the public sector. The policy for recognising assets held for sale is set out at accounting policy (t).
- Accounting for grants and contributions: Grants relating to capital and revenue expenditure are now credited to the Comprehensive Income and Expenditure Statement once all conditions of the grant have been satisfied.
- Accounting for leases: The land and building elements of a lease are now classified and accounted for separately, not as one lease. The Code specifies the accounting treatment for arrangements that have the effect of containing a lease. The policy for leases is set out in accounting policy (r)
- Cash and cash equivalents: The Code (following IFRS1) requires local authorities to classify cash and cash equivalents in their opening IFRS Balance Sheet (1 April 2009). The policy for determining the composition of cash and cash equivalents is set out in accounting policy (f).

The comparative figures used in this publication for 2009/10 have been changed from those reported in our Statement of Accounts for 2009/10 in accordance with these policies. We have indicated the changes made to 2009/10 comparative information by use of the term "restated" and added explanation in the relevant Notes to the Accounts.

(c) Accruals of Income and Expenditure

NOTES TO THE FINANCIAL STATEMENTS

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the 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.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(d) Acquired and discontinued operations

Significant acquired or discontinued operations (if any) are identified separately on the face of the Comprehensive Income and Expenditure Statement.

(e) Area Based Grant

Area Based Grant is accounted for in the Taxation and Non Specific Grant line in the Comprehensive Income and Expenditure Statement. This grant is recognised when the cash is received.

(f) Cash and cash equivalents

Cash comprises cash on hand and deposits at financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that mature in 7 days or less from the date of acquisition, or repayable without penalty on notice of not more than 7 days, and that are readily convertible to known amounts of cash with insignificant risk of change in value. All funds held in money market funds that are repayable at notice, and bank and other deposit accounts held, are accounted for as cash equivalents. Term deposits that mature in more than 7 days from the date of acquisition are not classified as cash equivalents. 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.

(g) 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 in the control of the Council. Contingent assets are not recognised in the balance sheet, but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(h) Contingent Liabilities

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 in 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 are disclosed in a note to the accounts.

NOTES TO THE FINANCIAL STATEMENTS

(i) 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 fixed 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 fixed assets attributable to the service.

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

(j) Employee Benefits

(1) Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render services to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(2) Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before normal retirement age or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees 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 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 accounting entries for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any amounts payable but unpaid at the year-end.

(3) Post employment benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Surrey pension fund attributable to Runnymede Borough 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

NOTES TO THE FINANCIAL STATEMENTS

to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond (as measured by the yield on the iBoxx Sterling Corporates AA Over 15 Years Index).
- The assets of the Surrey pension fund attributable to Runnymede Borough Council are included in the balance sheet at their fair value as set out in the following table:

Asset class	Valuation method used
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 revenue account of services for which employees worked.
 - Past service cost: The increase in liabilities arising from current year decisions whose effect relates to years of service earned in previous years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest Cost: The expected increase in the present value of liabilities during the year as they move a year closer to being paid, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Expected return on assets: The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Gains or losses on settlements and curtailments: The results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Actuarial gains and losses: Changes in the net 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 as appropriate to the Comprehensive Income and Expenditure Statement.
 - Contributions paid to the Surrey pension fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities.

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 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 accounting debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund 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

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

Final-year pension enhancements

The Council has an obligation to pay the pension of certain former staff that received a final-year salary enhancement. This enhancement increased their pension, but does not form part of the Local Government Pension Scheme. The valuation of the estimated pension liabilities is made in the same manner as for pensions under the Local Government Pension Scheme.

The statutory accounting arrangements for these local pensions are different to those for the Local Government Pension Scheme. Therefore, changes in pension liabilities in respect of the local scheme are recognised directly in the General Fund.

Valuation of pension fund assets and liabilities

Regular valuations are prepared by the professionally qualified actuary appointed by the Surrey Pension Fund. The Balance Sheet discloses the net liability in relation to retirement benefits. The assessment process used to compile the figures takes account of the most recent actuarial valuation updated to reflect current conditions. Therefore the figures presented are based on the actuary's latest calculations. The assumptions used by the actuary are in accordance with the Code and are mutually compatible.

(k) Events after the Balance Sheet date

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 existing at the balance sheet date; the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the balance sheet date; the Statement of Accounts is not adjusted to reflect such events, but where an event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

(l) Exceptional items and Prior Period Adjustments

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.

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

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

(m) Financial Instruments

(1) 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 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. All interest on borrowings is currently paid on 31 March and, therefore, the amount presented in the balance sheet is the outstanding principal repayable and the interest charged to the

NOTES TO THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

NOTES TO THE FINANCIAL STATEMENTS

(2) Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

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 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.

Runnymede Borough Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Where there is no fixed life of the loan, an estimate of the life of the loan is made. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at an effective rate of interest that recognises the commercial rate that would apply on an equivalent loan, less the rate actually receivable on the loan, to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the year. The reconciliation of the amounts in the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Trade receivables are recorded at their nominal amount less an allowance for doubtful debts. The Balance Sheet and notes to the accounts disclose the amount accordingly.

Available-for-sale assets

The Council does not hold material sums in available-for-sale assets.

(n) 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 there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation

NOTES TO THE FINANCIAL STATEMENTS

and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the capital grant or contribution has been received and no conditions remain outstanding at the Balance Sheet date and it has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where a capital grant or contribution has been received and the conditions remain outstanding at the Balance Sheet date, the grant or contribution is held in the Capital Grants Receipts in Advance account.

(o) Intangible Assets – Software intangibles

The Council recognises intangible assets for purchased computer software systems and licences only. Expenditure on computer software that is not an integral part of a related item of computer hardware is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Capitalised software costs include external direct costs of material and services associated with the project. The amounts are not revalued, but are carried at amortised cost. The depreciable amount of the intangible asset is amortised over its useful life (usually the lives of the individual contracts with the relevant computer suppliers) on a straight-line basis to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal losses are not permitted to have an impact on the General Fund Balance. The losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

(p) Inventories

Inventories are stated at cost price. Although this does not comply with the Code, which states that stock should be valued at the lower of cost or net realisable value, the sums held as inventories is not significant and the differences between cost and net realisable value are not material.

(q) Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain to the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital

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Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(r) Leases

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

Where a lease covers both land and buildings, the land and building 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 when fulfilment of the arrangement is dependent on the use of specific assets.

Finance leases (Council as lessee)

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant and equipment; applied to write down the lease liability, and
- A finance charge, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated total 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 contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases (Council as lessee)

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased item of property, plant and equipment. Charges are made on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable (on an accruals basis).

Finance leases (Council as lessor)

The Council currently grants no leases of property, plant and equipment that count as finance leases.

Operating leases (Council as lessor)

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement for non-investment property assets, and to the Financing and Investment Income and Expenditure line for income from leases of investment properties.

(s) Overheads and Support Services

The cost of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11 (BVACOP)*. The total absorption costing principle is used – the full cost of

NOTES TO THE FINANCIAL STATEMENTS

overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and democratic core – costs relating to the Council's status as a multi-functional democratic organisation
- Non-distributed costs – the cost of discretionary pension benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

(t) Property, plant and equipment

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administration purposes on a continuing basis are classified as property, plant and equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value.

Assets are then carried in the balance sheet using the following measurement basis:

- Infrastructure assets and community assets and assets under construction - depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH) as provided for in government guidance.
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV)

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets are included in the Balance Sheet at fair value and are revaluated sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum as part of a five-year rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for as follows:

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- 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 the 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 (or that part in excess of the balance in the Revaluation Reserve) is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- 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 the 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 (or that part in excess of the balance in the Revaluation Reserve) is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings – the charge for depreciation is prepared in accordance with “Stock Valuation for Resource Accounting: Guidance for Valuers 2010” published by the government in January 2011. Under this Guidance, the Major Repairs Allowance charge to the Housing Revenue Account is used as a proxy for component accounting and depreciation.
- Other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment - straight-line allocation over the estimated useful life of the asset

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and with different estimated useful lives, the components are depreciated separately. Under the Code, only components for assets acquired, enhanced or revalued after 1 April 2010 are depreciated separately. For the purpose of assessing whether a component is significant, our policy is that the cost of a component must normally be greater than £50,000 and be greater than 20% of the cost of the asset. In addition, the asset must have a useful life (for depreciation purposes) that is significantly different from that of the main structure.

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

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on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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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 classified as an Asset Held for Sale. Assets Held for Sale comprises assets that are available for immediate sale in its present condition and where the sale is highly probable. There will be an agreed plan to sell the asset, an active programme to find a buyer, an active marketing exercise at a price that is reasonable in relation to its current fair value, and a completed sale is expected within one year of the date of the classification of the asset. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that the Council intends to sell at some point, but which do not meet the criteria set out in this policy, are treated as Surplus Assets.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether property, plant and equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on the disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on the disposal (i.e. netted off the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts 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. Receipts are appropriated to the Capital Receipts 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 fixed 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.

(u) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the likely settlement. When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

NOTES TO THE FINANCIAL STATEMENTS

Where some or all of the payments 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 in the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

(v) 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 to score against the Surplus or Deficit on Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and employment and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

(w) 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 non-current assets has been charged as expenditure to the relevant service account 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, 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.

(x) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income. The net amount due to or from HM Revenue and Customs is included in the Balance Sheet as part of debtors or creditors.

NOTES TO THE FINANCIAL STATEMENTS

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* (the 2011/12 Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of any accounting change on the financial statements as a result of the adoption by the 2011/12 Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. Full adoption of this standard will be required in the 2011/12 financial statements, however, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage Assets are defined as "assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held for their contribution to knowledge and culture". The items that the Council owns that would fall under the above definition are the exhibits for display at Chertsey Museum. None of these exhibits are of any significant value other than to maintain a local record of the Borough's past.

The exhibits held at the Museum all fall under the Council's de-minimus level for assets and are not of significant financial worth to have been previously valued. As such, there are currently no such assets recorded on the face of the Balance Sheet. Each time an acquisition has been made or item donated, the purchase costs have been passed through the Comprehensive Income and Expenditure Statement in the year it was purchased.

All the exhibits owned by the Council for display at the museum have an indeterminate life. There is no depreciation charged on the heritage assets because it is estimated that the assets have a useful life of such length that any depreciation charge on them would be negligible and can be ignored on the basis of materiality.

NOTES TO THE FINANCIAL STATEMENTS

3 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:

1. There is a high degree of uncertainty about future funding levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of the need to close facilities and reduce levels of service provision.
2. The Council acts as lessor in a large number of property transactions, mainly involving the letting of land and buildings to third parties. In deciding whether these transactions score as finance leases or operating leases under the accounting requirements of IAS 17 *Leases* it has been necessary to make judgements about the underlying economic substance of the lease agreement.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 as at 31 March 2011 for which there is significant 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain a full maintenance programme for all its assets, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings (excluding council houses) would increase by £20,900 for every year that useful lives had to be reduced. The carrying amount of these assets as at 31 March 2011 was £23.9m.
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 that salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of consulting actuaries engaged by the Surrey Pension Fund provides the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in a decrease in the pensions liability of £6.8m. The effects of other assumptions made in relation to the Pensions Liability can be found in Note 39.
	There are uncertainties surrounding the outcome of the discovery that the final-year salary enhancements made by the Council are not pensionable pay under the Local Government Pension Scheme Regulations.	The assumptions made in respect of the accounting entries are set out in Note 39. There may be further material changes to pension liabilities, and the extent to which these are chargeable to the General Fund.

NOTES TO THE FINANCIAL STATEMENTS

5 MATERIAL ITEMS OF INCOME AND EXPENSE

The Comprehensive Income and Expenditure Account includes the following items that are material in the context of the overall income and expenditure of the Council, or are otherwise variable in nature:

2009/10 £000		Note	2010/11 £000
18,324	Housing benefits (see below)		19,611
708	Revenue expenditure funded from capital under statute (see below)		586
(18,920)	Impairments	37	69,667
5	Employee termination benefits	38	1,068

Housing benefits: The Council paid out £19.611million in housing benefits during 2010/11 (£18.324million in 2009/10). This was reimbursed by government subsidy.

Revenue expenditure funded from capital under statute: Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on the Council Tax.

These items are generally grants and expenditure for capital purposes on property not owned by the Council, e.g. home improvement grants.

The expenditure is charged to the relevant service heading in the Income and Expenditure Account. This entry is then reversed in the Movement in Reserves Statement by way of a transfer from the Capital Adjustment Account (see note 23) so that there is no impact on the council tax from these accounting entries. Expenditure incurred in the year was:

2009/10 £000		2010/11 £000
38	Central services to the public	46
119	Cultural, environmental, regulatory and planning services	63
551	Other housing services	477
<u>708</u>	Total revenue expenditure funded from capital under statute	<u>586</u>

NOTES TO THE FINANCIAL STATEMENTS

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Corporate Head of Finance on 13 December 2011. Events taking place after this date are not reflected in the financial statement or notes. When events taking place before this date provide information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for events which took place after 31 March 2011, because such events do not relate to conditions at that date. However, the following events are disclosed as they provide information that is relevant to an understanding of the Council's financial position.

1. Establishment of a Leisure Trust

On 1 April 2011, the Council transferred the operation of its leisure centres at Egham and Addlestone to Achieve Lifestyle. Achieve Lifestyle has been established as a charitable company limited by guarantee with the primary charitable purpose of providing or assisting in the provision of facilities and services for recreation, amateur sport or other leisure-time occupation in the interest of social welfare for the benefit of the public, primarily the community in and visitors to the Borough of Runnymede and surrounding areas. The Council will pay a fee to Achieve Lifestyle in consideration of the provision of services at the two leisure centres. The Council and Achieve Lifestyle agreed to transfer to the Trust certain assets and employees associated with the Council's leisure services.

The income and expenditure and assets and liabilities of the leisure centres accounted for within these Statements are as follows:

2009/10 £000		2010/11 £000
	Items in the Comprehensive Income and Expenditure Statement:	
2,044	Expenditure	2,006
1,358	Income	1,283

2. Concessionary Fares

Surrey County Council became the responsible authority for the concessionary fare scheme with effect from 1 April 2011.

The income and expenditure (there are no assets and liabilities) of the concessionary fare scheme accounted for within these Statements are as follows:

2009/10 £000		2010/11 £000
	Items in the Comprehensive Income and Expenditure Statement:	
440	Expenditure	430
166	Income	84

NOTES TO THE FINANCIAL STATEMENTS

7 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.

Adjustments in 2010/11						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	1,469	2,244				(3,713)
Charges for impairment of non-current assets	49	253				(302)
Revaluation losses on property, plant and equipment	518	68,847				(69,365)
Movement in the market value of investment properties	284					(284)
Amortisation of intangible assets	103					(103)
Capital grants and contributions applied	(541)					541
Revenue expenditure funded from capital under statute	586					(586)
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	(581)			1,102		(521)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(7)					7
Capital expenditure charged against General Fund and HRA balances	(38)					38
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						
Application of grants to capital financing transferred to the Capital Adjustment Account						
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						
Use of the Capital Receipts Reserve to finance new capital expenditure				(835)		835
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals		11		(11)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	252			(252)		
Transfer from Deferred Capital Receipts upon receipt of cash				6		(6)

NOTES TO THE FINANCIAL STATEMENTS

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (Continued)

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.

Adjustments in 2010/11 (continued)						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of the deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		(2,244)	2,244			
Use of the Major Repairs Reserve to finance new capital expenditure			(2,067)			2,067
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(21)					21
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,741)	255				5,486
Liabilities in respect of final-year pay enhancements	(158)					158
Employer's pensions contributions payable in the year	(2,009)	(160)				2,169
Adjustments primarily involving the Collection Fund Adjustment Account						
Amounts 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	(28)					28
Adjustments primarily involving the Accumulated Absences Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(15)					15
TOTAL ADJUSTMENTS in 2010/11	(5,878)	69,206	177	10	0	(63,515)

NOTES TO THE FINANCIAL STATEMENTS

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (Continued)

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.

Adjustments in 2009/10 - Comparative Figures						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	1,742	2,235				(3,977)
Charges for impairment of non-current assets		1,317				(1,317)
Revaluation losses on property, plant and equipment	3,186	(27,268)				24,082
Movement in the market value of investment properties	0					0
Amortisation of intangible assets	105					(105)
Capital grants and contributions applied					(110)	110
Revenue expenditure funded from capital under statute	708					(708)
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	1,726			(354)		(1,372)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	(11)					11
Capital expenditure charged against General Fund and HRA balances	(25)	(700)				725
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(531)					531
Application of grants to capital financing transferred to the Capital Adjustment Account	65				(65)	
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						
Use of the Capital Receipts Reserve to finance new capital expenditure				(837)		837
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals		11		(11)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	217			(217)		
Transfer from Deferred Capital Receipts upon receipt of cash				10		(10)

NOTES TO THE FINANCIAL STATEMENTS

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (Continued)

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.

Adjustments in 2009/10 - Comparative Figures (continued)						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of the deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		(2,235)	2,235			
Use of the Major Repairs Reserve to finance new capital expenditure			(2,235)			2,235
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(53)					53
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,313	315				(2,628)
Liabilities in respect of final-year pay enhancements	(395)					395
Employer's pensions contributions payable in the year	(1,874)	(250)				2,124
Adjustments primarily involving the Collection Fund Adjustment Account						
Amounts 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	(62)					62
Adjustments primarily involving the Accumulated Absences Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	12					(12)
TOTAL ADJUSTMENTS in 2009/10	7,123	(26,575)	0	(1,409)	(175)	21,036

NOTES TO THE FINANCIAL STATEMENTS

8 TRANSFERS TO AND FROM EARMARKED REVENUE RESERVES

The amounts set aside, through the Movement in Reserves Statement, from the General Fund balances to provide financing for future expenditure plans and the amounts posted back to meet General Fund expenditure are set out in the following tables:

2010/11

	Balance at 1 April 2010	Transfers out	Transfers in	31 March 2011
	£000	£000	£000	£000
IT Renewals Reserve	443	65	85	463
Safer Runnymede Reserve	200	28	129	301
Car Park Equipment Reserve	92			92
Egham Leisure Centre Fitness Equipment Reserve	151	113	40	78
Addlestone Leisure Centre Equipment Reserve	105		30	135
Egham Leisure Centre All Weather Pitches Reserve	90		30	120
Museum Purchase Fund	32		3	35
Maintenance of Graves in Perpetuity	2			2
Section 106 and other Contributions Reserve	349	213	245	381
Total	1,464	419	562	1,607

2009/10

	Balance at 1 April 2009	Transfers out	Transfers in	31 March 2010
	£000	£000	£000	£000
IT Renewals Reserve	420	62	85	443
Safer Runnymede Reserve	164	93	129	200
Car Park Equipment Reserve	92			92
Egham Leisure Centre Equipment Reserve	111		40	151
Addlestone Leisure Centre Equipment Reserve	75		30	105
Egham Leisure Centre All Weather Pitches Reserve	60		30	90
Museum Purchase Fund	30		2	32
Maintenance of Graves in Perpetuity	2			2
Section 106 and other Contributions Reserve	754	460	55	349
Total	1,708	615	371	1,464

The **IT Renewals Reserve** was established in 1994/95 to provide a source of funding for future IT replacements.

The **Safer Runnymede Reserve** was established during 2000/01 with the intention of providing a source of funds when existing equipment needs replacing.

The purpose of the **Car Park Machines Replacement Reserve** is to spread the cost of replacing car park machines by making an annual contribution from the revenue account each year.

The **Egham and Addlestone Leisure Centre Equipment Reserves** hold contributions available to replace equipment in the Fitness Suites as and when required. Likewise the **Egham LC All Weather Pitch Reserve** is for the replacement of the 3rd generation all weather 5-a-side football pitches.

The **Museum Purchase & Conservation Fund** is held under Section 15 of the Public Libraries and Museums Act 1964 and holds funds to be used for major purchases and conservation works.

Maintenance of Graves in Perpetuity represents funds invested permanently for the benefit of the maintenance of specified cemeteries.

The **Section 106 and other Contributions Reserve** combines all monies received from third parties, mainly arising from planning agreements, that relate to works that have not yet been undertaken.

NOTES TO THE FINANCIAL STATEMENTS

8 TRANSFERS TO AND FROM EARMARKED REVENUE RESERVES (Continued)

Maintenance of Graves in Perpetuity represents funds invested permanently for the benefit of the maintenance of specified cemeteries.

The **Section 106 and other Contributions Reserve** combines all monies received from third parties, mainly arising from planning agreements, that relate to works that have not yet been undertaken.

9 OTHER OPERATING EXPENDITURE

2009/10		2010/11
£000		£000
217	Payments to the Government Housing Capital Receipts Pool	252
1,737	Net (gains) and losses on the disposal of non-current assets	(567)
1,954		(315)

(a) Payments to the Government Housing Capital Receipts Pool: Local authorities have to pay a proportion of specified housing related receipts into a government "pool". The sum payable to the pool is disclosed as expenditure in the Comprehensive Income and Expenditure Statement. This is matched by a corresponding appropriation from usable capital receipts in the Movement in Reserves Statement.

(b) Net (gains) and losses on the disposal of non-current assets: Gains or losses on the disposal of fixed assets are reported on the face of the Income and Expenditure Account. For this purpose assets are valued at current market valuation at the time of disposal. Certain capital receipts do not represent sales of existing assets, and the net receipts from these sales are recognised in the Income and Expenditure Account. These items are set out below:

	<u>Gains and losses on the disposal of fixed assets</u>	
(28)	Sums from covenants released	(34)
620	Net (gain) / loss on the lease of land to Surrey Police	0
1,163	Assets relating to Runnymede Pleasure Ground Trust	0
(24)	Net (gain) / loss on the disposal of land and equipment	(539)
1,731	Sub total - gains and losses on the disposal of fixed assets	(573)
	<u>Administrative costs offset against sale proceeds</u>	
11	Right-to-Buy administration costs	11
	<u>Capital receipts not linked to the disposal of fixed assets</u>	
(5)	Loan granted to Addlestone Community Association (principal repaid)	(5)
1,737	Total of (gains) and losses on the disposal of assets	(567)

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10		2010/11
£000		£000
	Investment income:	
2	Interest income on bank and other deposits	6
31	Income from Money Market Funds	28
1	Interest on mortgages on sold council dwellings	1
657	Interest on held-to-maturity investments	426
691		461
(9)	Interest payable and similar charges	(6)
(1,389)	Pensions interest cost and expected return on pensions assets	(668)
1,004	Income and expenditure in relation to investment properties and changes in fair value	772
297	Total	559

NOTES TO THE FINANCIAL STATEMENTS

11 TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £000		2010/11 £000
4,418	Council tax income	4,604
	Formula Grant from the government	
4,454	Non domestic rates	4,908
1,028	General Government Grant (Revenue Support Grant)	713
	Other non-ringfenced Government Grants:	
45	Local Authority Business Growth Incentive Scheme grant	0
23	Area Based Grant	39
267	Housing and Planning Delivery Grant	0
92	Local Partnership Services Agreement - Performance Reward Grant	0
	Capital grants and contributions:	
92	Corporate Properties	0
77	Parks and Open Spaces	109
0	Refuse & Recycling	143
20	Building Safer Communities	12
5	Efficiency Information	0
<u>10,521</u>	Total	<u>10,528</u>

Local Authority Business Growth Incentive Scheme (LABGI)

The Local Authority Business Growth Incentives Scheme is intended to enable local authorities to benefit directly from an increase in business rate revenues, thereby introducing incentives for local authorities to lead the economic development of their community by encouraging strong and successful partnerships with business and other local and regional partners.

Area Based Grant

Area Based Grant (ABG) is a non-ring fenced general grant, and no conditions on use are imposed as part of the grant determination ensuring full local control over how the funding can be used. Therefore, ABG is included in the Income and Expenditure Account with other general income sources such as income from the collection fund and non-domestic rates distribution.

Housing and Planning Delivery Grant

Housing and Planning Delivery Grant (HPDG) is a non-ring fenced general grant, and no conditions on use are imposed as part of the grant determination ensuring full local control over how the funding can be used. Therefore, the revenue part of HPDG is included in the Income and Expenditure Account. 2009/10 was the last year grants were paid under this scheme.

Local Partnership Services Agreement (LPSA) - Performance Reward Grant

Performance Reward Grant is a non-ring fenced general grant that is paid on the successful achievement of stretch targets contained in the Surrey second generation Local Partnership Services Agreement (LPSA) signed in November 2005 by the Government and Surrey County Council (on behalf of its partners - the Surrey District Councils). 2009/10 was the last year grants were paid under this scheme.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT

RR= Revaluation Reserve
SDPS=Surplus or Deficit on the Provision of Services

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL PROPERTY, PLANT & EQUIPMENT
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	255,192	40,024	8,189	0	4,309	11,690	0	319,404
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0	0
Adjusted 1 April 2010 balance	255,192	40,024	8,189	0	4,309	11,690	0	319,404
Additions	2,067	166	479	0	3	0	0	2,715
Revaluation Increases/(decreases) to RR	5,657	0	0	0	0	226	0	5,883
Revaluation Increases/(decreases) to SDPS	(76,194)	0	0	0	0	(601)	0	(76,795)
Derecognition - Disposals	(503)	0	(40)	0	0	0	0	(543)
Assets reclassified to/from Held for Sale	0	0	0	0	0	(1,600)	0	(1,600)
At 31 March 2011	186,219	40,190	8,628	0	4,312	9,715	0	249,064
Accumulated Depreciation and Impairment								
At 1 April 2010	7,927	1,397	4,006	0	0	67	0	13,397
Adjustments between cost/value & depn/impairment	0	0	0	0	0	0	0	0
Adjusted 1 April 2010 balance	7,927	1,397	4,006	0	0	67	0	13,397
Depreciation Charge	2,244	591	862	0	0	16	0	3,713
Depreciation written out on revaluation	(6,609)	0	0	0	0	(83)	0	(6,692)
Impairments written out on revaluation	(1,317)	0	0	0	0	0	0	(1,317)
Impairment losses/reversals to SDPS	832	46	0	0	3	518	0	1,399
Derecognition - Disposals	0	0	(40)	0	0	0	0	(40)
Eliminated on reclassification to Held for Sale	0	0	0	0	0	(518)	0	(518)
Other movements in depreciation and impairments	0	0	0	0	0	0	0	0
At 31 March 2011	3,077	2,034	4,828	0	3	0	0	9,942
Net Book Value								
At 31 March 2011	183,142	38,156	3,800	0	4,309	9,715	0	239,122
At 31 March 2010	247,265	38,627	4,183	0	4,309	11,623	0	306,007

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

RR= Revaluation Reserve

SDPS=Surplus or Deficit on the Provision of Services

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL PROPERTY, PLANT & EQUIPMENT
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2009	225,339	41,264	7,944	0	4,303	13,949	0	292,799
Adjustments between cost/value & deprn/impairment	0	0	0	0	0	0	0	0
Adjusted 1 April 2009 balance	225,339	41,264	7,944	0	4,303	13,949	0	292,799
Additions	2,934	24	355	0	12	0	0	3,325
Revaluation Increases/(decreases) to RR	0	261	0	0	0	(1,773)	0	(1,512)
Revaluation Increases/(decreases) to SDPS	27,564	(494)	0	0	0	(2,986)	0	24,084
Derecognition - Disposals	(645)	(1,031)	(110)	0	(6)	0	0	(1,792)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	0	0
Donations / barter schemes	0	0	0	0	0	2,500	0	2,500
At 31 March 2010	255,192	40,024	8,189	0	4,309	11,690	0	319,404
Accumulated Depreciation and Impairment								
At 1 April 2009	4,375	873	2,947	0	0	50	0	8,245
Adjustments between cost/value & deprn/impairment	0	0	0	0	0	0	0	0
Adjusted 1 April 2009 balance	4,375	873	2,947	0	0	50	0	8,245
Depreciation Charge	2,235	595	1,130	0	0	17	0	3,977
Depreciation written out on revaluation	0	(63)	0	0	0	0	0	(63)
Impairment losses/reversals to RR	0	0	0	0	0	0	0	0
Impairment losses/reversals to SDPS	1,317	0	0	0	0	0	0	1,317
Derecognition - Disposals	0	(8)	(71)	0	0	0	0	(79)
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0
Other movements in depreciation and impairments	0	0	0	0	0	0	0	0
At 31 March 2010	7,927	1,397	4,006	0	0	67	0	13,397
Net Book Value								
At 31 March 2010	247,265	38,627	4,183	0	4,309	11,623	0	306,007
At 31 March 2009	220,964	40,391	4,997	0	4,303	13,899	0	284,554

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation & Amortisation Methods

Depreciation on a straight line basis is provided for on all tangible fixed assets with a finite useful life from the date of purchase. Depreciation is not charged on the land element of the valuation. Assets in the course of construction are not depreciated until they are brought into use. In general terms the following depreciation and amortisation policy is followed:

Asset class	Depreciation period
General (non-housing) buildings	From 20 to 50 years dependant on estimated useful life
General equipment	Up to 20 years (dependant on type of equipment)
Plant and vehicles	Up to 10 years (dependant on type of vehicle)
Leisure related play equipment	10 years
Safer Runnymede equipment	5 years
Computer hardware	Up to 5 years (dependant on type of equipment)

Depreciation on housing properties is prepared in accordance with "Stock Valuation for Resource Accounting: Guidance for Valuers 2010" published by the government in January 2011. This Guidance allows the Major Repairs Allowance component of Housing Revenue Account Subsidy to be used as a proxy for component accounting and depreciation

Total depreciation and amortisation charges are set out in the following table:

2009/10 £000		2010/11 £000
	Depreciation charged in the year	
1,742	On assets other than council dwellings	1,469
2,235	On housing properties	2,244
<u>3,977</u>	Total depreciation charged in the year	<u>3,713</u>
105	Amortisation of intangible assets	103
<u>4,082</u>	Total depreciation and amortisation charged in the year	<u>3,816</u>

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Capital Commitments

The Council has a capital programme listing proposed and potential schemes with a cost in the next financial year of £9.259m. At 31 March 2011 the Council had entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2011/12 and future years of £696,000. Similar commitments at 31 March 2009 were £115,000.

The major commitments are:

2009/10 £000		2010/11 £000
0	Capitalised housing repairs	580
0	Purchase of refuse vehicles	87
85	Capital grants to third parties	29
9	Investment in Safer Runnymede	0
21	Other schemes	0
<u>115</u>	Total	<u>696</u>

Each capital scheme is examined in detail before authority to proceed is granted. A full financial appraisal, including associated revenue implications, is submitted with each scheme. Schemes which do not meet the policy aspirations are rejected.

Effects of changes in estimates

The valuation of council housing is carried out in accordance with "Stock Valuation for Resource Accounting: Guidance for Valuers 2010" published by the government in January 2011. This guidance changed the adjustment factor to be applied to the valuation of council houses to calculate their existing use value as social housing properties (the figures represented in the Balance Sheet). This had the effect of reducing the balance sheet value of these properties by £63m.

There were no other material changes to the Council's accounting estimates for Property, Plant and Equipment in 2009/10 or 2010/11.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years with an effective date of 1 April in the year of revaluation. All the Council's valuations for property based assets have been carried out by the Council's own internal valuer as follows:

2010/11	- Ian Gifford, DipEM, MRICS
2009/10	- Ian Gifford, DipEM, MRICS
2008/09	- Ian Gifford, DipEM, MRICS
2007/08	- Jason Christou, BSc MRICS
2006/07	- David Yetton, FRICS

Valuations of land and building were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

In determining Fair Value, regard has been had to the land uses designated in the Council's Local Development Framework. The other significant assumptions applied in estimating fair values are:

- The Council's Do it Yourself Shared Ownership (DIYSO) valuation is based on the assumption that all properties are in an average condition by reference to Ordnance Survey site plans, aerial photography and sales data from internet websites.
- All rent reviews are assumed to be at open market rental values unless there are specific reasons that determine otherwise.
- There are no onerous restrictions or encumbrances other than those identified in title documents.

Historic cost is considered a reasonable proxy for current value for most of our vehicles and equipment, but adjustments are made to this category where appropriate using the latest list prices of active second hand markets adjusted for the condition of the asset .

It is important to distinguish valuations for the purpose of financial accounting and reporting from those which are made to support the management of assets and policy decisions. In particular, it must be understood that the valuations do not necessarily mean the price the asset might fetch on the open market; for instance, land currently valued as recreation space will have a completely different valuation if deemed in the future to be surplus to requirements and available for sale as building land.

Particular arrangements apply for the valuation of council housing. These are explained in more detail in the Notes to the Housing Revenue Account. The basis for the valuation of all assets is set out in the principal accounting policies (note 1).

The following statement shows the change in valuation for each category of asset resulting from our rolling programme for the revaluation of fixed assets over the past 5 years:

	Council Dwellings	Other Land & Buildings	Vehicles plant, etc.	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost:	-	-	8,772	-	8,772
Valued at fair value as at:					
2010/2011	(69,220)	0	0	(375)	(69,595)
2009/2010	27,564	(233)	-	(2,259)	25,072
2008/2009	(46,764)	5,346	(545)	176	(41,787)
2007/2008	9,712	2,361	(37)	-	12,036
2006/2007	24,191	1,149	-	-	25,340

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT PROPERTIES

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

2009/10		2010/11
£000		£000
1,064	Rental income from investment property	1,117
<u>(60)</u>	Direct operating expenses arising from investment property	<u>(60)</u>
<u>1,004</u>	Net gain	<u>1,057</u>

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 repairs, maintenance or enhancement.

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

2009/10		2010/11
£000		£000
16,237	Balance at start of the year	16,521
	Additions:	
-	Purchases	-
-	Construction	-
284	Subsequent expenditure	9
-	Disposals	-
<u>-</u>	Net gains/losses from fair value adjustments	<u>(284)</u>
<u>16,521</u>	Balance at the end of the year	<u>16,246</u>

NOTES TO THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS

Intangible assets are assets that do not have a physical substance but are controlled by the Council through custody or legal rights. All the Council's intangible assets relate to purchased computer software.

Each asset is held in the books at its purchased cost value and is amortised on a straight-line basis over its useful economic life. Unless special circumstances dictate otherwise, the Council has deemed the useful economic lives of all software to be 5 years.

The amortisation of £103,319 charged to revenue in 2010/11 (£105,401 in 2009/10) was charged to the Computer Services cost centre and then absorbed as overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

2009/10 £000		2010/11 £000
	Balance at start of year:	
2,056	Gross carrying amounts	1,894
(1,793)	Accumulated Amortisation	(1,632)
263	Net Carrying amount at the start of the year	262
104	Additions	131
(266)	Disposals	(71)
(105)	Amortisation for the period	(103)
266	Other changes - Write out of amortisation on disposals	71
262	Net carrying amount at the end of the year	290
	Comprising:	
1,894	Gross carrying amounts	1,954
(1,632)	Accumulated amortisation	(1,664)
262		290

At 31 March 2011 the Council had entered into a number of contracts for the purchase or enhancement of intangible assets in 2011/12 and future years of £36,000. Similar commitments at 31 March 2010 were £71,000.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS

SUMMARY OF BORROWING AND INVESTMENT BALANCES

Categories of Financial Investments

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

	Note	Long term		Current	
		31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Investments					
Loans and receivables at amortised cost					
Term investments with banks and other financial institutions		-	-	1,504	5,394
Term investments with Building Societies		3,547	1,879	7,646	7,038
Available-for-sale financial assets at fair value		-	-	2	2
Total investments		3,547	1,879	9,152	12,434
Debtors					
Long-term loans and receivables (see below)		535	560	-	-
Financial assets carried at contract amounts	16	-	-	3,254	3,112
Provisions for bad debts		-	-	(865)	(686)
Total debtors		535	560	2,389	2,426
Borrowings					
Loans and receivables at amortised cost		-	-	139	115
Total borrowings		0	0	139	115
Creditors					
Financial liabilities at amortised cost		-	-	-	-
Financial liabilities carried at contract amount	20	-	-	5,192	7,265
Total creditors		0	0	5,192	7,265
Cash and cash equivalents					
Cash held in money market funds at notice		-	-	2,451	2,651
Cash held in deposit accounts at banks		-	-	2,008	2,506
Cash and bank balance		-	-	222	147
Total cash and cash equivalents	18	0	0	4,681	5,304

Available-for-sale financial assets: These are residual holdings of government stocks purchased many years ago. The stocks are held in the balance sheet at cost. No adjustments are made for the market value of these holdings because of their small value.

Analysis of long-term loans and receivables

31 March 2010 £000		31 March 2011 £000
	Loans at low or interest-free rates at fair value:	
395	For home loans arising from estate redevelopments	417
99	For private sector home improvements	120
	Balances on mortgages and advances granted to:	
26	Council house purchasers	20
5	Addlestone Community Association	0
10	Individuals in respect of works in default	3
535	Total long term debtors	560

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS (Continued)

Income, Expense, Gains and Losses

		2010/11		
Note	Financial liabilities measured at amortised cost	Financial assets: Loans and receivables	Total	
	£000	£000	£000	
Interest expense	(6)	0	(6)	
Fee expense	0	0	0	
Total expense in Surplus or Deficit on the Provision of Services	(6)	0	(6)	
Interest income	0	461	461	
Increases in fair value	0	0	0	
Gains on derecognition	0	0	0	
Total income in Surplus or Deficit on the Provision of Services	0	461	461	
Net gain/loss for the year	(6)	461	455	10

		2009/10 Comparatives		
Note	Financial liabilities measured at amortised cost	Financial assets: Loans and receivables	Total	
	£000	£000	£000	
Interest expense	(9)	0	(9)	
Fee expense	0	0	0	
Total expense in Surplus or Deficit on the Provision of Services	(9)	0	(9)	
Interest income	0	691	691	
Increases in fair value	0	0	0	
Gains on derecognition	0	0	0	
Total income in Surplus or Deficit on the Provision of Services	0	691	691	
Net gain/loss for the year	(9)	691	682	10

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS (Continued)

Fair Values of Assets and Liabilities

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

- ◆ Estimated interest rates ranging from 0.60% to 1.87% for loans and receivables, dependent on the term remaining and market rates for similar investments at 31 March 2011
- ◆ No early repayment or impairment is recognised
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount, less provisions for uncollectible debts

The fair values calculated are as follows:

Carrying amount and fair value of financial instruments held at 31 March				
31 March 2010			31 March 2011	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Financial liabilities		
139	139	Short-term borrowing	115	115
3,115	3,115	Trade and operational liabilities	3,927	3,926
2,077	2,077	Other creditors categorised as financial instruments	3,373	3,339
5,331	5,331		7,415	7,380
		Long-term investments and debtors		
3,547	3,747	Long-term investments	1,879	1,967
535	535	Long-term debtors	560	560
4,082	4,282		2,439	2,527
		Investments		
9,150	9,222	Short-term investments	12,432	12,445
2	2	Government stocks	2	2
9,152	9,224		12,434	12,447
		Other financial instruments		
2,078	2,078	Trade and operational debtors	1,805	1,805
1,176	1,176	Other debtors categorised as financial instruments	1,307	1,307
3,254	3,254		3,112	3,112

The fair value of investments at 31 March 2011 is **higher** than the carrying amount for both long-term and short-term investments. This is because these investments contain fixed rate and fixed-term loans made when interest rates receivable were significantly higher than rate available for similar loans at the Balance Sheet date. However, there is not a liquid market in such investments and it is not normal market practice to seek early redemption. Should a borrower or lender seek early redemption, the actual value would be subject to negotiation between the parties and may be different from the fair value.

NOTES TO THE FINANCIAL STATEMENTS

16 SHORT TERM DEBTORS AND PAYMENTS IN ADVANCE

(a) Gross debtors and payments in advance

31 March 2010 £000		31 March 2011 £000	£000
	Central government bodies		
84	Sums due from HM Revenue and Customs	232	
	Other local authorities		
210	Sums due from Surrey County Council	295	
	NHS Bodies		
0	Sums due from St Peter's Hospital	10	
	Other entities and individuals		
2,077	General debtors and payments in advance	1,795	
316	Council tenants arrears	280	
567	Payments in advance for computer systems support	500	
<u>3,254</u>	Total debtors classified as financial instruments		<u>3,112</u>
1,277	Sums due from central government		9
183	Council taxpayer arrears (attributable to Runnymede only)		<u>163</u>
<u>4,714</u>	Gross current debtors and payments in advance		<u>3,284</u>

(b) Provision for bad debts on gross debtor balances

31 March 2010 £000		31 March 2011 £000
(89)	Council tax payers arrears	(79)
(865)	General debtors	(686)
(131)	Council tenants arrears	(112)
<u>(1,085)</u>	Total provision for bad debts on gross debtors	<u>(877)</u>

17 INVENTORIES

All of the Council's Inventories relate to consumable stores items. There were no works in progress in 2009/10 or 2010/11

2009/10 £000		2010/11 £000
95	Balance at start of year	84
544	Purchases	592
(555)	Recognised as an expense in the year	(583)
0	Written off balances	(1)
0	Reversals of write-off in previous years	0
<u>84</u>	Balance at year-end	<u>92</u>

NOTES TO THE FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

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

2009/10		2010/11
£000		£000
34	Cash balances held by the Council	31
188	Cash balances held at the bank (see below)	116
2,008	Short term deposits with banks & building societies	2,506
2,451	Short term deposits with money market funds	2,651
<u>4,681</u>	Cash and cash equivalents balances in hand	<u>5,304</u>

Cash balances held at the bank

This note discloses holdings in bank accounts, which includes cheques sent to creditors but not yet presented, and cash in transit to banks and in clearing accounts.

2009/10		2010/11
£000		£000
(121)	Unpresented cheques and payments	(183)
170	Cash in transit and in clearing accounts	225
139	Bank account balances (in hand)	74
<u>188</u>	Cash in hand at bank as at 31st March	<u>116</u>

19 ASSETS HELD FOR SALE

31 March 2010			31 March 2011	
Current	Non Current		Current	Non Current
£000	£000		£000	£000
2,125	-	Balance at the start of the year	-	-
		Assets newly classified as held for sale:		
-	-	Property Plant and Equipment	1,600	-
-	-	Intangible assets	-	-
-	-	Other assets and liabilities	-	-
(2,125)	-	Assets sold	-	-
-	-	Transfers from non-current to current	-	-
<u>0</u>	<u>0</u>	Balance at the end of the year	<u>1,600</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

20 CREDITORS AND RECEIPTS IN ADVANCE

31 March 2010 £000		31 March 2011 £000	£000
	Central government bodies		
318	Sums due to HM Revenue and Customs - Payroll taxation		332
	Other local authorities		
366	Sums payable to Surrey County Council		582
	Other entities and individuals		
3,130	Trade and operational liabilities	4,851	
524	Council housing tenants credits and receipts in advance	417	
374	Sundry deposits held	452	
250	Sums due to staff for accrued leave (see note below)	236	
230	Other monies received in advance	395	
5,192	Total of creditors classified as financial instruments		6,351
	Tax account balances		
111	Council tax payers credits and receipts in advance attributable to Runnymede	102	
415	Net balances attributable to Surrey County Council and Surrey Police Authority for Council tax items	645	
960	Business rates net creditor with the government	797	
1,486			1,544
6,678	Gross creditors and receipts in advance		8,809

21 PROVISIONS

2010/11 £000		2011/12 £000
0	Balance at 1 April	0
0	Additional Provisions made in the year	35
0	Balance at 31 March	35

In 2004 the Government passed a statutory instrument entitled the Environmental Information Regulations 2004, which stated that certain Environmental Information was free to people to inspect. At the time it was issued, Personal Search Fees made on the Local Land Charges Register were deemed outside of this remit, however during 2010/11 the Government declared that local authorities should not charge for such information. Litigation is currently under way nationally and until such time that this is resolved it is not possible to say whether we would have to repay any fees. The provision of £35,000 in 2011/12 relates solely to potential claims against the Council in respect of fees paid by Personal Search Agents for these searches.

NOTES TO THE FINANCIAL STATEMENTS

22 USABLE RESERVES

The movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

The Local Government and Housing Act 1989 introduced a power to raise financial reserves although certain funds however retain their statutory backing. The Council regularly reviews policy on reserves to ensure their continuing adequacy and relevance. The balances on the Council's usable reserves at 31 March are set out below.

2009/10 £000		Note	2010/11 £000
	Revenue Reserves:		
3,043	General Fund Balance		2,993
3,222	Housing Revenue Account Balance		1,571
0	Housing Major Repairs Reserve	46	177
1,464	Earmarked reserves, funds and balances	8	1,607
	Capital Reserves:		
64	Capital Grants and Contributions Unapplied Reserve	22a	105
5,512	Usable Capital Receipts Reserve	22b	5,522
<u>13,305</u>	Total		<u>11,975</u>

The **General Fund Balance** provides a working balance for cash flow purposes and for major unforeseen expenses to be accommodated. This reserve provides the funds that will support service spending over the next few years as revenue reductions are introduced to balance service income and expenditure over the medium term.

The **Housing Revenue Account Balance** is kept separately under the "ring-fencing" provisions of the Local Government and Housing 1989 Act.

(a) Capital Grants and Contributions Unapplied Reserve

Where a capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure has not been incurred at the Balance Sheet date, the balance of the unspent grant is transferred to this reserve to reflect its status as a capital resource available to finance expenditure.

2009/10 £000		Note	2010/11 £000
239	Balance as at 1st April		64
466	Grants received in the year transferred from the Comprehensive Income and Expenditure Statement		0
0	Grants reclassified as capital		41
(641)	Grants used to finance capital expenditure in the year transferred to the Capital Adjustment Account	23b	0
<u>64</u>	Balance as at 31st March		<u>105</u>

NOTES TO THE FINANCIAL STATEMENTS

22 USABLE RESERVES (Continued)

(b) Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve is credited with proceeds from fixed asset sales and other monies defined by statute as capital receipts. These receipts are free to be used to finance new capital expenditure.

2009/10 £000		Note	2010/11 £000
6,921	Balance as at 1st April		5,512
2,777	Capital receipts in the year		1,108
(3,120)	Lease of Civic Offices to Surrey Police		0
(11)	Appropriation to Housing Revenue Account for administration costs of Right-to-Buy sales		(11)
(838)	Capital receipts used to finance capital expenditure	35	(835)
(217)	Pooling of capital receipts	9	(252)
<u>5,512</u>	Balance as at 31st March		<u>5,522</u>

Administration of Right-to-Buy sales: Government regulations allow these costs to be met from the capital receipts arising from these disposals. The cost of administration is charged to the Housing Revenue Account, and an offsetting credit is made through the Statement of Movement on the Housing Revenue Account Balance.

23 UNUSABLE RESERVES

Unusable reserves are required to be held for statutory reasons and to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. This note shows the changes to the Balance Sheet in summary terms. Further information on each reserve can be obtained from the additional notes provided.

2009/10 £000		Note	2010/11 £000
8,907	Revaluation Reserve	23a	14,623
314,497	Capital Adjustment Account	23b	243,276
(116)	Financial Instruments Adjustment Account	23c	(95)
26	Deferred Capital Receipts Reserve	23d	20
(34,967)	Pensions Reserve	23e	(13,804)
1	Collection Fund Adjustment Account	23f	29
(291)	Accumulated Absences Account	23g	(276)
<u>288,057</u>	Total		<u>243,773</u>

NOTES TO THE FINANCIAL STATEMENTS

23 UNUSABLE RESERVES (Continued)

(a) Revaluation Reserve

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

- 1) Revalued downwards or impaired and the gains are lost
- 2) Used in the provision of services and the gains are consumed through depreciation, or
- 3) 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 sheet on the Capital Adjustment Account.

2009/10 £000		2010/11 £000 £000	
10,729	Revaluation Reserve balance as at 1st April		8,907
2,264	Upward revaluations of assets	5,881	
(3,796)	Downward revaluations of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
<u>15</u>	Depreciation adjustments on revaluation gains and losses	<u>0</u>	
	Surplus (deficit) arising on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		5,881
(224)	Difference between depreciation charged at fair value and historic cost depreciation	(165)	
<u>(81)</u>	Accumulated gains on assets sold or scrapped	<u>0</u>	
(305)	Amount written off to the Capital Adjustment Account		(165)
<u><u>8,907</u></u>	Revaluation Reserve balance as at 31st March		<u><u>14,623</u></u>

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

23 UNUSABLE RESERVES (Continued)

(b) Capital Adjustment Account

2009/10 £000		Note	2010/11 £000 £000	
293,138	Capital Adjustment Account balance as at 1st April			314,497
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
(3,977)	Depreciation losses of non-current assets		(3,713)	
(1,317)	Impairment losses of non-current assets		(882)	
(3,482)	Revaluation Losses on Property, Plant and Equipment		(69,365)	
27,564	Reversal of past impairments charged to the Comprehensive Income and Expenditure Statement		580	
(105)	Amortisation of intangible assets		(103)	
(708)	Revenue Expenditure Funded from Capital Under Statute	5	(586)	
(3,687)	Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the Comprehensive Income and Expenditure Statement		(503)	
<u>14,288</u>			<u>(74,572)</u>	
224	Adjusting amounts written out of the Revaluation Reserve		165	
14,512	Net written out amount of the cost of non-current assets consumed in the year			(74,407)
	Capital financing applied in the year:			
838	Use of Capital Receipts Reserve to finance capital expenditure	22b	835	
2,235	Use of Major Repairs Reserve to finance capital expenditure	35	2,067	
531	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		541	
110	Application of grants to capital financing from the Capital Grants Unapplied Account	22a	0	
726	Use of revenue reserves	35	38	
<u>4,440</u>			<u>3,481</u>	
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement			(284)
	Other Items:			
2,500	Recognition of assets gained through barter transactions			0
(104)	Recognition of repayment of long term debtors and investments as capital receipts			(18)
11	Statutory provision for the financing of capital investment	7		7
<u>314,497</u>	Capital Adjustment Account balance as at 31st March			<u>243,276</u>

NOTES TO THE FINANCIAL STATEMENTS

23 UNUSABLE RESERVES (Continued)

(c) Financial Instruments Adjustment Account

This Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains in accordance with statutory provisions.

All the entries in this Account relate to "soft loans" - loans at low or nil interest rate - awarded by the Council in pursuance of housing objectives.

2009/10		2010/11
£000		£000
(169)	Balance as at 1st April	(116)
	Transactions in the year	
32	Loans repaid; extinguishment of balances	3
(4)	New Loans; difference between loan granted and fair value	(9)
25	Interest credits in the year	27
<u>(116)</u>	Balance at 31 March	<u>(95)</u>

(d) Deferred Capital Receipts Reserve

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

The balances on this reserve all derive from the sale of assets (all from the sale of council dwellings) which will be received in instalments over agreed periods of time.

2009/10		2010/11
£000		£000
36	Balance as at 1st April	26
(10)	Transfer to the Capital receipts reserve upon receipt of cash	(6)
<u>26</u>	Balance as at 31st March	<u>20</u>

NOTES TO THE FINANCIAL STATEMENTS

23 UNUSABLE RESERVES (Continued)

(e) Pensions Reserve

This 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 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 costs. However, statutory arrangements require benefits earned through the Local Government Pension Scheme to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

2009/10		2010/11
£000		£000
(17,392)	Balance at 1 April	(34,967)
	Actuarial gains or losses on:	
(31,849)	Pensions liabilities	14,261
14,384	Pensions assets	(911)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	
(1,239)	Current service cost	(2,191)
0	Past service costs	8,381
0	Curtailments and settlements	(36)
(3,999)	Interest cost	(4,777)
(686)	Contributions by scheme participants	(682)
2,610	Expected rate of return on scheme assets	4,109
686	Contributions by scheme participants	682
	Employer's pensions contributions and direct payments to pensioners payable in the year:	
2,124	Employer contributions	2,169
	Final year pay enhancements - pension liabilities	
394	Net liabilities charged to the General Fund	158
<u>(34,967)</u>	Balance at 31 March	<u>(13,804)</u>

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.

This deficit represents the underlying commitments that Runnymede has in the long-run to pay retirement benefits through the statutory Surrey Pension Fund. It must be recognised that this figure is based on a number of assumptions and is a snapshot of the position at 31 March. The statutory arrangements for funding allow the deficit to be made good by increased contributions over the working life of employees, as assessed by the scheme actuary.

The pension liabilities at 31 March 2011 in respect of the final-year pay enhancements of £1,418,000 (31 March 2010 £1,260,000) are outside the statutory provisions and do not form part of this Reserve.

NOTES TO THE FINANCIAL STATEMENTS

23 UNUSABLE RESERVES (Continued)

(f) Collection Fund Adjustment Account

This account holds the difference between council tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. The balance represents an accumulated deficit for the Runnymede share of council tax surpluses and deficits only. The shares of council tax surpluses and deficits and other taxpayer balances attributable to Surrey County Council and Surrey Police Authority are included in the balance sheet (as a net debtor).

2009/10 £000		2010/11 £000
(60)	Balance as at 1st April	1
	Amount by which council tax income credited to the	
	Comprehensive Income and Expenditure Statement is	
61	different from council tax income calculated for the year in	28
	accordance with statutory requirements	
<u>1</u>	Balance as at 31st March	<u>29</u>

(g) Accumulated Absences Account

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

2009/10 £000		2010/11 £000	2010/11 £000
279	Balance at 1 April		291
	Settlement or cancellation of accrual made at the end of the		
(279)	preceding year	(291)	
<u>291</u>	Amounts accrued at the end of the current year	<u>276</u>	
	Amount by which officer remuneration charged to the		
	Comprehensive Income and Expenditure Statement on an		
12	accruals basis is different from remuneration chargeable		(15)
	in the year in accordance with statutory requirements		
<u>291</u>	Balance at 31 March	<u>276</u>	

NOTES TO THE FINANCIAL STATEMENTS

24 CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10		2010/11
£000		£000
652	Interest received	351
(10)	Interest paid	(6)

25 CASH FLOW STATEMENT - INVESTING ACTIVITIES

2009/10		2010/11
£000		£000
4,240	Purchase of property, plant and equipment, investment property and intangible assets	3,813
75,595	Purchase of short term and long term investments	49,280
(5,816)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,098)
(77,825)	Proceeds from the sale of short term and long term investments	(48,480)
<u>(3,806)</u>	Net cash flows from investing activities	<u>3,515</u>

26 CASH FLOW STATEMENT - FINANCING ACTIVITIES

2009/10		2010/11
£000		£000
(1,316)	Other receipts from financing activities	(229)
7	Cash payments for the reduction of the outstanding liability relating to finance leases	7
(112)	Repayments of short and long term borrowing	24
0	Other payments for financing activities	163
<u>(1,421)</u>	Net cash flows from financing activities	<u>(35)</u>

NOTES TO THE FINANCIAL STATEMENTS

27 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 Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by Council Committees for which the split of duties is different to that of the service allocation in the Comprehensive Income and Expenditure Statement. The Council has functional 'policy' Committees which deal with the provision and administration of the Council's services. Reports to these Committees are prepared on a different basis from accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (i.e. revaluation and impairment losses in excess of the balance held in the Revaluation Reserve)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits

Investment properties are managed and reported as part of a wider property portfolio to Committee and are not separated out as required by accounting regulations

Committee Income & Expenditure 2010/11

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

	Housing Revenue Account	Housing & Community Services Committee	Leisure & Environment Committee	Planning Committee	Economic Development Committee	Corporate Management Committee	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	14,722	25,435	3,903	752	3,989	385	49,186
Government grants		529	20	34		192	775
Total Income	14,722	25,964	3,923	786	3,989	577	49,961
Employee expenses	1,467	2,278	4,153	1,299	866	2,451	12,514
Other operating expenses	10,826	25,530	4,485	259	2,250	1,211	44,561
Support service recharges	885	840	965	880	730	1,347	5,647
Total operating expenses	13,178	28,648	9,603	2,438	3,846	5,009	62,722
Net Cost of Services	(1,544)	2,684	5,680	1,652	(143)	4,432	12,761

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	£000
Net expenditure on services and support services not included in the analysis	12,761
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	745
Amounts reported to management not included in Comprehensive Income and Expenditure Statement	62,712
Net Cost of Services in Comprehensive Income and Expenditure Statement	76,247

NOTES TO THE FINANCIAL STATEMENTS

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

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

Reconciliation to Subjective Analysis 2010/11

	Committee Analysis	Services not in analysis	Amounts not reported to Committee	Amounts not included in CI&E Statement	Allocation of recharges	Net Cost of Services	Corporate Accounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	23,669	650	(1,056)	0	(2,029)	21,234	1,056	22,290
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	41	0	0	(29)	0	12	461	473
Income from council tax	0	0	0	0	0	0	0	0
Government grants and contributions	775	56	0	0	0	831	5,660	6,491
Other grants and contributions	1,290	55	349	0	0	1,694	4,868	6,562
Housing Benefit Subsidy	24,186	0	0	0	0	24,186	0	24,186
Total Income	49,961	761	(707)	(29)	(2,029)	47,957	12,045	60,002
Employee expenses	12,514	763	(8,322)	0	0	4,955	668	5,623
Housing Benefits	24,102	0	0	0	0	24,102	0	24,102
Other service expenses	19,395	318	669	0	(484)	19,898	0	19,898
Support Service recharges	5,647	249	0	0	(1,545)	4,351	0	4,351
Depreciation, amortisation and impairment	1,064	176	69,658	0	0	70,898	284	71,182
Interest Payments	0	0	0	0	0	0	6	6
Precepts & Levies	0	0	0	0	0	0	0	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	252	252
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(567)	(567)
Total operating expenses	62,722	1,506	62,005	0	(2,029)	124,204	643	124,847
Surplus or deficit on the provision of services	12,761	745	62,712	29	0	76,247	(11,402)	64,845

NOTES TO THE FINANCIAL STATEMENTS

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

Committee Income & Expenditure 2009/10

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

	Housing Revenue Account	Housing & Community Services Committee	Leisure & Environment Committee	Planning Committee	Economic Development Committee	Corporate Management Committee	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	14,472	23,981	4,372	762	3,826	459	47,872
Government grants	0	504	75	284	0	158	1,021
Total Income	14,472	24,485	4,447	1,046	3,826	617	48,893
Employee expenses	1,516	2,317	4,591	1,363	875	1,473	12,135
Other operating expenses	11,887	23,912	5,209	483	2,169	1,219	44,879
Support service recharges	935	816	1,156	919	775	1,354	5,955
Total operating expenses	14,338	27,045	10,956	2,765	3,819	4,046	62,969
Net Cost of Services	(134)	2,560	6,509	1,719	(7)	3,429	14,076

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	£000
	14,076
Net expenditure on services and support services not included in the analysis	110
Amounts in the Comprehensive Income and Expenditure Statement not reported to management	(22,344)
Amounts reported to management not included in Comprehensive Income and Expenditure Statement	95
Net Cost of Services in Comprehensive Income and Expenditure Statement	(8,063)

NOTES TO THE FINANCIAL STATEMENTS

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

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

Reconciliation to Subjective Analysis 2009/10

	Committee Analysis	Services not in analysis	Amounts not reported to Committee	Amounts not included in CI&E Statement	Allocation of recharges	Net Cost of Services	Corporate Accounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	23,678	170	(1,064)	0	(2,064)	20,720	1,064	21,784
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	86	0	0	(96)	0	(10)	691	681
Income from council tax	0	0	0	0	0	0	4,418	4,418
Government grants and contributions	1,022	0	0	0	0	1,022	5,909	6,931
Other grants and contributions	1,475	0	(339)	0	0	1,136	194	1,330
Housing Benefit Subsidy	22,632	0	0	0	0	22,632	0	22,632
Total Income	48,893	170	(1,403)	(96)	(2,064)	45,500	12,276	57,776
Employee expenses	12,135	158	(884)	0	0	11,409	1,389	12,798
Housing Benefits	22,523	0	0	0	0	22,523	0	22,523
Other service expenses	21,120	21	(830)	(1)	(467)	19,843	60	19,903
Support Service recharges	5,955	101	0	0	(1,597)	4,459	0	4,459
Depreciation, amortisation and impairment	1,236	0	(22,033)	0	0	(20,797)	1,439	(19,358)
Interest Payments	0	0	0	0	0	0	10	10
Precepts & Levies	0	0	0	0	0	0	0	0
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	217	217
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	1,736	1,736
Total operating expenses	62,969	280	(23,747)	(1)	(2,064)	37,437	4,851	42,288
Surplus or deficit on the provision of services	14,076	110	(22,344)	95	0	(8,063)	(7,425)	(15,488)

NOTES TO THE FINANCIAL STATEMENTS

28 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in either 2009/10 or 2010/11.

29 AGENCY AND CONTRACT SERVICES

The Road Traffic Act 1991 provided for the decriminalisation of non-endorsable on-street parking offences with responsibility for enforcement passing from the local police authority to local traffic authorities. Surrey Police ceased enforcement of on-street parking controls with effect from 1 April 2004 when responsibility duly passed to Surrey County Council.

Runnymede Borough Council has entered into an agreement with Surrey County Council to take on the responsibility for on-street parking enforcement within the Borough on an agency basis. The total costs reimbursed by Surrey County Council during 2010/11 amounted to £129,522 (2009/10 was £134,214).

30 MEMBERS' ALLOWANCES

Local authorities are required to disclose all payments relating to the remuneration of members.

2009/10 £000		2010/11 £000
96	Basic Allowance	98
59	Special Allowance	56
2	Co-optees' Allowance	1
3	Travel and Subsistence	3
<u>160</u>		<u>158</u>

More detailed information on payments to Members is published in Appendix B to these Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 OFFICERS REMUNERATION

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

Senior Officer Remuneration in 2010/11							
Note	Salary (including fees & allowances)	Bonuses (e)	Benefits in kind	Compensation for loss of office	Employers pension contributions	Total including employers pension contributions	
	£	£	£	£	£	£	
Chief Executive	(a)	110,400	0	0	0	0	110,400
Director of Technical Services		90,848	0	0	0	14,030	104,878
Director of Housing and Community Services		90,848	0	0	0	14,030	104,878
Director of Finance	(b)	99,455	0	0	40,000	123,133	262,588
Director of Administration and Leisure	(c)	103,232	0	2,340	45,000	129,860	280,432
Head of ICT		70,262	0	6,866	0	9,976	87,104
Business Transition Manager	(d)	55,163	0	0	0	8,965	64,128

- (a) The Chief Executive also receives fees relating to Returning Officer duties.
- (b) The Director of Finance, Mr Stuart Cawthorne, left on voluntary early retirement on 31 March 2011. As part of his voluntary retirement package the Council decided to award compensation for loss of office in the sum of £40,000, and added years of pension at a cost of £109,103. The post of Director of Finance was deleted after his early retirement.
- (c) The Director of Administration & Leisure, Mr Andrew Pearson, left on voluntary early retirement on the 31 March 2011. As part of his voluntary retirement package the Council decided to award compensation for loss of office in the sum of £45,000, and added years of pension at a cost of £115,830. The post of Director of Administration & Leisure was deleted after his early retirement.
- (d) The Business Transition Manager is on a temporary contract to 9 December 2011.
- (e) The Runnymede Performance Related Pay scheme was withdrawn in 2010/11.

Comparative figures for 2009/10							
Note	Salary (including fees & allowances)	Bonuses (e)	Benefits in kind	Compensation for loss of office	Employers pension contributions	Total including employers pension contributions	
	£	£	£	£	£	£	
Chief Executive	(f)	64,400	0	0	0	0	64,400
Director of Technical Services	(g)	99,914	3,620	0	0	15,218	118,752
Director of Housing and Community Services		91,414	3,620	0	0	13,995	109,029
Director of Finance		90,914	3,620	0	0	13,995	108,529
Director of Administration and Leisure		90,224	3,620	1,046	0	13,995	108,885
Head of ICT		61,049	2,580	3,992	0	9,951	77,572
Personnel Manager		55,985	2,150	2,839	0	9,071	70,045
Business Transition Manager	(h)	17,057	0	0	0	2,772	19,829

- (f) The Chief Executive commenced employment with the Council on 1st September 2009 at an annualised salary including fees & allowances of £110,400.
- (g) The Director of Technical Services covered for the vacant Chief Executive post between April and September 2009.
- (h) The Business Transition Manager commenced employment with the Council on 10th December 2009 at an annualised salary of £55,000.

NOTES TO THE FINANCIAL STATEMENTS

31 OFFICERS REMUNERATION (Continued)

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Number of Employees 2009/10	Remuneration Band	Number of Employees 2010/11
12	£50,000 to £54,999	8
1	£55,000 to £59,999	0
7	£60,000 to £64,999	8
4	£65,000 to £69,999	2
0	£70,000 to £74,999	2

The amounts paid or received include all sums paid to or receivable by an employee, expenses allowances chargeable to tax, and the estimated money value of any other benefits received other than in cash and declared for tax purposes.

32 EXTERNAL AUDIT FEES

The Audit Commission appoints the external auditors that examine our financial statements. The external auditor of our financial statements for 2010/11 and 2009/10 is KPMG LLP. The cost of audit and inspection work includes the estimated fees relating to the year of account, including the estimated cost of auditing these Statements.

2009/10 £000		2010/11 £000
96	Fees payable to KPMG the appointed auditor with regard to external audit services	104
0	Rebates from Audit Commission in respect of auditor work for IFRS and value-for-money assessments	(8)
2	Fees payable to the Audit Commission in respect of National Fraud Initiative	2
9	Fees payable to the Audit Commission in respect of statutory inspection	0
39	Fees payable to KPMG the appointed auditor for the certification of grant claims and returns	38
0	Fees payable in respect of other services provided by the appointed auditor	0
<u>146</u>		<u>136</u>

NOTES TO THE FINANCIAL STATEMENTS

33 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2009/10 £000		Note	2010/11 £000	
	Credited to Taxation and Non Specific Grant Income			
	Grants:			
4,454	Non domestic rates	11	4,908	
1,028	Revenue Support Grant	11	713	
427	Non-ringfenced Government grants	11	39	
194	Capital Grants and Contributions	11	264	
<u>6,103</u>			<u>5,924</u>	
2009/10 £000			2010/11 £000 £000	
	Credited to Cost of Services			
	Grants:			
4,412	Central services to the public		4,743	
160	Cultural, environmental, regulatory and planning services		128	
169	Highways and transport services		84	
6,803	Local authority housing (HRA)		7,230	
12,478	Other housing services		13,244	
33	Adult social care		44	
<u>24,055</u>			<u>25,473</u>	
	Contributions:			
0	Central services to the public		5	
511	Cultural, environmental, regulatory and planning services		499	
169	Highways and transport services		57	
85	Local authority housing (HRA)		10	
47	Other housing services		57	
100	Adult social care		109	
<u>912</u>			<u>737</u>	
	Donations:			
7	Cultural, environmental, regulatory and planning services		1	
1	Adult social care		0	
<u>8</u>			<u>1</u>	
<u>24,975</u>			<u>26,211</u>	

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if these conditions are not met. The balances at the year-end are as follows:

2009/10 £000		2010/11 £000
	Capital Grants Receipts in Advance	
	Grants:	
6	Parks and Open Spaces	5
<u>6</u>		<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS

34 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 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.

A Register of Members Interests and a Register of Staff Interests is used to record and monitor related party transactions. In addition, declaration forms were sent to all councillors and relevant officers at the end of the year. These were all reviewed and no significant transactions were found.

This note exemplifies transactions between related parties and 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 significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Where applicable grant receipts outstanding at 31 March 2011 are shown in Note 33.

Members of Runnymede Borough Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in the year is shown in note 30. Each year the Corporate Head of Finance invites members to declare any such interests including related parties. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interest, which is open to public inspection at the Runnymede Civic Centre in Addlestone. During 2009/10 and 2010/11 there were no reported material transactions with related parties advised by Members.

Directors and senior officers

Staff are required to disclose any pecuniary and non-financial interests with related parties in accordance with a Code of Conduct. In addition, on an annual basis chief and other senior staff are required to make a declaration of any such interests including related parties. In respect of the years 2009/10 and 2010/11 there were no reported material transactions with related parties advised by directors and senior officers.

Pension Fund

Details of transaction with the Surrey Pension Fund are set out in Note 39.

Other public bodies (subject to common control by central government)

There were no transactions under this heading during the year.

Entities controlled or significantly influenced by the Council

There were no transactions under this heading during the year.

NOTES TO THE FINANCIAL STATEMENTS

35 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.

The Capital Financing Requirement is the term used to describe the underlying need to borrow for a capital purpose. The Capital Financing Requirement will increase where existing resources (e.g. capital receipts or government grant or other contributions) are not sufficient to finance capital expenditure.

2009/10 £000		Note	2010/11	
			£000	£000
8	Opening Capital Financing Requirement			8
	Capital Investment:			
3,325	Property, Plant and Equipment	12	2,715	
284	Investment Properties	13	9	
104	Intangible Assets	14	131	
19	Loans for private sector property improvements		40	
708	Revenue Expenditure Funded from Capital under Statute	5	586	
				3,481
	Sources of Finance:			
(838)	Capital Receipts	22b	(835)	
(641)	Government grants and other contributions		(541)	
(2,235)	Major Repairs Reserve	46	(2,067)	
(726)	Direct Revenue contributions		(38)	
				(3,481)
8	Closing Capital Financing Requirement			8

NOTES TO THE FINANCIAL STATEMENTS

36 LEASES

(a) Finance Leases - Runnymede as Lessee

The Council has finance lease agreements for the supply (in 1988) of wheeled refuse containers to all households in the Borough. These agreements were in their secondary periods and ended in 2009/10.

In 2005 the Council entered into a contract for the provision of a community meals service. As part of this contract the contractor supplies specialist vehicles which are deemed, under accounting standards to be *embedded leases*, and the Council must recognise them as such in its financial statements. This liability ended in 2010/11 with the following lease payments made in the year:

2009/10 £000		2010/11 £000
	Property Plant and Equipment:	
2	Wheeled refuse containers	0
19	Community meals service vans (embedded lease)	16
<u>21</u>		<u>16</u>

(b) Operating Leases - Runnymede as Lessee

The Council uses cars and operational vehicles under the terms of various operating leases. The amount paid under these arrangements in 2010/11 was £49,794 (£75,769 in 2009/10). The future minimum lease payments due under these leases in future years were:

At 31 March 2010 £000		At 31 March 2011 £000
45	Not later than one year	28
44	Later than one year and not later than five years	35
0	Later than five years	0
<u>89</u>		<u>63</u>

(c) Finance Leases - Runnymede as Lessor

Runnymede has no finance leases for which it acts as lessor.

(d) Operating Leases - Runnymede as Lessor

The Council acts as lessor with regard to a whole range of assets, from commercial property to room leases to leases for access all of which are leased to individuals and organisations. All these transactions are accounted for as operating leases. The minimum future rentals receivable from these leases are as follows:

2009/10 £000		2010/11 £000
1,407	Not later than one year	1,207
2,467	Later than one year and not later than five years	3,353
52,955	Later than five years	52,310
<u>56,829</u>		<u>56,870</u>

The rentals receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

NOTES TO THE FINANCIAL STATEMENTS

37 IMPAIRMENT LOSSES

Impairment is caused either by the clear consumption of economic benefits or by a general fall in prices. Examples of events and circumstances that indicate an impairment caused by a consumption of economic benefits have incurred are physical damage to a fixed asset (e.g. as a result of a fire), obsolescence (e.g. a computer or computer system that no longer provides a useful service), or a major restructuring. Such impairments are recognised in the relevant service account in the Income and Expenditure Account.

When impairment is caused through a general fall in prices it is treated as a revaluation. Where there are sufficient previous revaluation gains, the decrease in value is recognised in the Statement of Recognised Gains and Losses. Thereafter, the decrease is recognised in the relevant service account in the Income and Expenditure Account.

The total impairments and their treatments in the year were as follows:

2009/10 £000		2010/11	
		£000	£000
3,844	Offset against previous revaluation gains (net of depreciation adjustments)		0
	Taken to Comprehensive Income and Expenditure Statement:		
4,799	Impairments in the year	70,247	
<u>(27,563)</u>	Reversal of previous years impairments	<u>(580)</u>	
<u>(22,764)</u>			<u>69,667</u>
<u>(18,920)</u>			<u>69,667</u>

The reversal of previous impairments in 2009/10 relate to an increase in the value of Council Houses that were impaired in the previous financial year.

The impairments in 2010/11 mainly relate once again to Council Housing (see note 54).

38 TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £1,068,317 (£4,790 in 2009/10).

Of this total, £40,000 was payable to the Director of Finance, in the form of compensation for loss of office and enhanced pension benefits of £109,103; and £45,000 was payable to the Director of Administration and Leisure, in the form of compensation for loss of office and enhanced pension benefits of £115,830.

There were 7 employees from the refuse collection service who were made redundant as part of the Council's rationalisation of the service consequent on the introduction of fortnightly collection of general waste, and a number of administrative and managerial staff accepted voluntary redundancy or flexible retirement packages as part of a general exercise to create long-term savings.

Of the overall termination costs, £16,900 were charged to the HRA.

NOTES TO THE FINANCIAL STATEMENTS

39 DEFINED BENEFIT PENSION SCHEME

Participation in pension schemes

Runnymede Borough Council offers a funded defined benefit final salary pension scheme as part of the terms and conditions of employment of its staff. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Runnymede participates in the Local Government Pension Scheme (LGPS) - a funded defined benefit final salary scheme - administered by Surrey County Council. The scheme provides index-linked pensions and other retirement benefits for employees based upon their final pay and length of service. Contributions to the pension fund are made from both Runnymede Borough Council and employees. Runnymede's pension assets and liabilities are part of the Surrey Fund.

Further information on the Surrey Pension Fund can be found in the latest Surrey County Council Pension Fund Annual Report which is available from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames, Surrey, KT1 2EA.

Final-year pay enhancement - Pensions

In 1990, Runnymede introduced a scheme whereby staff with 10 years satisfactory service qualified for a 10% final-year enhancement of salary. This scheme formed part of a comprehensive Member led initiative aimed to 'maintain the authority's competitive advantage in the employment market and to underline the policy of attracting and retaining able staff'. The scheme was modified in 2003 and again in 2007 to make it clear that it was discretionary rather than an entitlement and to ensure that the scheme was within the Council's powers. In February 2010, the Council resolved that the final-year pay enhancement scheme be abolished with effect from 1 April 2011.

In March 2011, Counsels advice commission by Runnymede and the Surrey Pension Fund concluded that the final-year salary enhancements were not pensionable payments under the rules governing the LGPS. Surrey Pension Fund is considering its options with regard to the recovery of pension payments in light of advice they have received about the rights of the Fund to recover the payments and possible defences which might be raised by pensioners.

Runnymede has obtained a further Counsels opinion as to whether Runnymede could be required to compensate the pensioners (i.e. continue paying their pension, or come to another arrangement) should their pensions be reduced by the Surrey Pension Fund.

The Council has decided to honour the pension commitments it has made to pensioners in respect of final-year pay enhancements. The charges to the General Fund for pensions payable through the LGPS are limited to those cash sums determined by the Fund Actuary. There are no mitigating rules for pension payments made outside the statutory scheme. Therefore, the liability for pensions payable outside the LGPS are a direct charge to the General Fund. In 2010/11, the charge to the General Fund in respect of pensions outside the LGPS was £158,000, bringing the total pensions liability outside the LGPS to £1,418,000 at 31 March 2011.

On the basis that Runnymede will reimburse the Surrey Pension Fund for pensions paid to date, the assets of the Runnymede share of the Surrey Pension Fund at 31 March 2011 have been increased by £428,000. The liabilities in the Surrey Pension Fund are reduced by £990,000 in respect of future pensions.

NOTES TO THE FINANCIAL STATEMENTS

39 DEFINED BENEFIT PENSION SCHEME

Final-year pay enhancement - Prior period adjustment

The *Code of Practice on Local Authority Accounting in the United Kingdom* requires a retrospective restatement to be made where material errors are discovered. This means that the comparative figures in these Statements have been restated as if the correct treatment had always been adopted. The restatements to the Balance Sheet are:

	As stated on transition to IFRS £000	As restated £000	Restatement £000
<u>Effect on line items in the Balance Sheet at 1 April 2009</u>			
Useable Reserves			
General Fund Balance	6,324	5,458	(866)
Unusable Reserves			
Pensions Reserve	(18,258)	(17,392)	866
Total Reserves	303,416	303,416	0

Effect on line items in the Balance Sheet at 31 March 2010

Useable Reserves			
General Fund Balance	4,303	3,043	(1,260)
Unusable Reserves			
Pensions Reserve	(36,227)	(34,967)	1,260
Total Reserves	301,362	301,362	0

The liability in respect of pensions remaining payable by Runnymede, but outside the Surrey Pension Fund, is recognised as a direct charge to the General Fund Balance. The balance on the Pensions Reserve reduces accordingly. There is no change to the overall pension liability of the Council. There are no changes required to the Comprehensive Income and Expenditure Account.

The following restatement was required for the Movement in Reserves Statement during 2009/10.

	As stated on transition to IFRS £000	As restated £000	Restatement £000
<u>Balance at end of the previous reporting period 31 March 2009</u>			
Usable Reserves			
General Fund Balance	6,325	5,459	(866)
Total Useable Reserves	18,280	17,414	(866)
Unusable Reserves			
Pensions Reserve	(18,258)	(17,392)	866
Total Unusable Reserves	285,136	286,002	866
Total Reserves at 31 March 2009	303,416	303,416	0

Balance at 31 March 2010

Usable Reserves			
General Fund Balance	4,303	3,043	(1,260)
Total Useable Reserves	14,565	13,305	(1,260)
Unusable Reserves			
Pensions Reserve	(36,227)	(34,967)	1,260
Total Unusable Reserves	286,797	288,057	1,260
Total Reserves at 31 March 2010	301,362	301,362	0

NOTES TO THE FINANCIAL STATEMENTS

39 DEFINED BENEFIT PENSION SCHEME

Final-year pay enhancement - Pensions: Contingent Liability

These accounts include full provision for the cost of pensions already in payment. However, there may be further obligations on the Council dependent on the actions taken by Surrey Pension Fund and the pensioners, and the outcome of any legal actions. It may take a significant period of time before the matter is resolved. These accounts make a full provision for the pensions liability in respect of the final-year pay enhancements made since 2000.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, legislation requires that the charge on council tax and housing finances for pensions paid within the LGPS is based on the cash payable to the pension fund in the year, so the real cost of retirement benefits is reversed out of the General Fund through the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement:

Comprehensive Income and Expenditure Statement				
2009/10			2010/11	
£000	% of payroll		£000	% of payroll
		<i>Cost of Services</i>		
1,239	12.4%	Current service cost	2,191	21.8%
0	0.0%	Past service costs	(8,381)	(83.2%)
0	0.0%	Curtailments and settlements	36	0.4%
		<i>Finance and Investment Income & Expenditure</i>		
3,999	40.0%	Interest cost on pension scheme liabilities	4,777	47.4%
(2,610)	(26.1%)	Expected return on assets in the scheme	(4,109)	(40.8%)
2,628		Total post employment benefit charged to the Surplus or Deficit on the Provision of Services	(5,486)	
		<i>Other post employment benefit charges</i>		
17,465		Actuarial gains and losses	(13,350)	
20,093		Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	(18,836)	

Movement in Reserves Statement		
2009/10 £000		2010/11 £000
	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code:	
2,628	In respect of charges to the Surplus or Deficit on the Provision of Services	(5,486)
2,124	Actual amount charged against the General Fund for the year - employers' contributions payable to the scheme	2,169
394	Amount charged to the General Fund for the pensions liability relating to final-year pay enhancements payable outside the LGPS	158

NOTES TO THE FINANCIAL STATEMENTS

39 DEFINED BENEFIT PENSION SCHEME (Continued)

Assets and liabilities for post-employment benefits

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

2009/10		2010/11
£000		£000
58,538	Opening balance at 1 April	93,834
1,239	Current service cost	2,191
3,999	Interest cost	4,777
686	Contributions by scheme participants	682
31,952	Actuarial (gains) and losses	(14,192)
(2,580)	Benefits paid	(3,146)
0	Past service costs (see note below)	(8,381)
0	Curtailments and settlements	36
<u>93,834</u>	Closing balance at 31 March	<u>75,801</u>

Reconciliation of fair value of the scheme assets:

2009/10		2010/11
£000		£000
40,280	Opening balance at 1 April	57,607
2,610	Expected rate of return on scheme assets	4,109
14,487	Actuarial gains and (losses)	(842)
2,124	Employer contributions	2,169
686	Contributions by scheme participants	682
(2,580)	Benefits paid	(3,146)
<u>57,607</u>	Closing balance at 31 March	<u>60,579</u>

Past Service Costs: In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing liabilities by £8.392m and has been recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. The Past Service costs also includes £0.011m in respect of efficiency and early retirements. There is no net impact on General Fund or Housing Revenue Account balances arising from this change.

Summary of assets and liabilities in relation to retirement benefits

The underlying share of the overall assets and liabilities in the Surrey Pension Fund attributable to Runnymede Borough Council and recognised for the final-year pay enhancement for pensions are:

31 March 2010		31 March 2011
£000		£000
	Estimated liabilities in the scheme	
91,208	Funded benefits under the scheme regulations	73,318
1,366	Unfunded discretionary benefits awarded	1,065
1,260	Unfunded final-year salary enhancement pensions	1,418
<u>93,834</u>	Estimated actuarial value of Fund liabilities	<u>75,801</u>
<u>57,607</u>	Estimated market value of scheme assets	<u>60,579</u>
<u>36,227</u>	Net pension liability	<u>15,222</u>

This deficit represents the underlying commitments that Runnymede has in the long-run to pay retirement benefits. It must be recognised that this figure is based on a number of assumptions (set out in this note) and is a snapshot of the position at 31 March. The statutory arrangements for funding allow the deficit to be made good by increased contributions over the working life of employees, as assessed by the scheme actuary.

NOTES TO THE FINANCIAL STATEMENTS

39 DEFINED BENEFIT PENSION SCHEME (Continued)

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 assumptions about mortality rates, salary levels, etc discounted to present values. The figures used in compiling the accounting entries for pensions were supplied by the Surrey Fund actuary, Hymans Robertson. The actuary has based the value of the Employer's liabilities as at 31 March 2011 on his latest formal valuation of the scheme at 31 March 2010. The principal assumptions used by the actuary are:

	31 March 2010	31 March 2011
<u>Long-term expected rate of return on assets in the scheme</u>		
Equity investments	7.80%	7.50%
Bonds	5.00%	4.90%
Property	5.80%	5.50%
Cash	4.80%	4.60%
<u>Financial assumptions</u>		
Rate of inflation and rate of increase in pensions	3.80%	2.80%
Rate of increase in salaries (see below)	5.30%	5.10%
Long-term expected rate of return of assets	7.20%	6.90%
Rate for discounting scheme liabilities (see below)	5.50%	5.50%
<u>Take-up of option to convert annual pension into retirement lump sum</u>		
For pre-April 2008 service	25%	25%
For post April 2008 service	63%	63%
<u>Mortality assumptions</u>		
Longevity at 65 for current pensioners		
Men	22.7 years	21.9 years
Women	26.1 years	24.0 years
Longevity at 65 for future pensioners		
Men	24.8 years	23.9 years
Women	28.3 years	25.9 years

Rate of increase in salaries

The assumption for the rate of increase in salaries is 1% for 2010/11 and 2011/12, reverting to 5.1% thereafter.

Rate of discounting scheme liabilities

In assessing liabilities for retirement benefits the actuary uses a discount rate based on the yield available on long-dated, high quality corporate bonds (as measured by the yield on iBoxx Sterling Corporates AA Over 15 Years Index), at 31 March. To refine the index to account for the large number of bonds that have been subject to (mainly downwards) ratings, the actuary has removed recently re-rated bonds from the index. The actuary advised that a discount rate of 5.5% (1.9% real) for retirement benefits as at 31 March 2011 was appropriate. The equivalent figure for 2009/10 was 5.5% (1.6% real).

NOTES TO THE FINANCIAL STATEMENTS

39 DEFINED BENEFIT PENSION SCHEME (Continued)

Historic mortality

For the year ended 31 March 2011 the mortality assumptions are in line with the Fund's Club Vita (a longevity monitoring service) analysis. These are a bespoke set of VitaCurves tailored to fit the membership of the Fund. The actuary has also applied medium cohort improvements and a 1% underpin from 2007. The life expectancy assumptions used in the previous four years are based on the PFA92 and PMA92 tables:

Mortality assumptions used		
Year ended	Prospective pensioners	Pensioners
31 March 2011	VitaCurves tailored to fit the membership of the Fund, medium cohort and 1% p.a. minimum improvements from 2007.	
31 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2017	calendar year 2004
31 March 2007	calendar year 2004	calendar year 2004

Scheme assets

The share of the Surrey Pension Fund assets attributable to Runnymede Borough Council in respect of the Local Government Pension Scheme by investment category at 31 March 2011 are £60.521m:

Valuation of scheme assets				
	31 March 2010		31 March 2011	
	£000	%	£000	%
Equity investments	42,950	75	45,714	75
Bonds	9,735	17	9,624	16
Property	3,436	6	3,008	5
Cash	1,486	3	2,233	4
	<u>57,607</u>		<u>60,579</u>	

The expected return on 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 the gross redemption yields 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 2010/11 was £5,104m (2009/10 was £16.994m).

Cash payments to the Pension Fund

The following payments were made to the Pension Fund in accordance with statutory requirements. They are expressed in absolute terms and as a percentage of pensionable pay:

Cash payments to the Pension Fund				
	2009/10		2010/11	
	£000	%	£000	%
Regular employer contributions	1,651	17.00	1,641	16.90
Added years awarded for retirees in previous year	75	0.77	78	0.80
Lump sum contributions for early retirees	0	0.00	33	0.34
Backfunding contribution towards Fund deficit	398	4.10	417	4.29
Total payments to the Pension Fund	<u>2,124</u>	<u>21.87</u>	<u>2,169</u>	<u>22.34</u>

The total contributions in cash expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £2.007m. Expected contributions for the Discretionary Benefits in the year to 31 March 2012 are £75,000.

NOTES TO THE FINANCIAL STATEMENTS

39 DEFINED BENEFIT PENSION SCHEME (Continued)

Scheme history

	As at 31 March				
	2007	2008	2009	2010	2011
	£000	£000	£000	£000	£000
Present value of liabilities					
Local Government Pension Scheme	(63,260)	(58,038)	(56,528)	(91,208)	(73,318)
Discretionary Benefits	(1,209)	(1,195)	(1,144)	(1,366)	(1,065)
Final-year pay enhancement pensions	-	-	(866)	(1,260)	(1,418)
Fair value of assets	51,955	52,047	40,280	57,607	60,579
Surplus (deficit) in the scheme	(12,514)	(7,186)	(18,258)	(36,227)	(15,222)
Represented by					
Local Government Pension Scheme	(11,305)	(5,991)	(16,248)	(33,601)	(12,739)
Discretionary Benefits	(1,209)	(1,195)	(1,144)	(1,366)	(1,065)
Final-year pay enhancement pensions	-	-	(866)	(1,260)	(1,418)
Total	(12,514)	(7,186)	(18,258)	(36,227)	(15,222)

The liabilities represent the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £15.222m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. It must be recognised that this figure is based on a number of assumptions (set out in this note) and is a snapshot of the position at 31 March. The statutory arrangements for funding pensions in the LGPS allow the deficit to be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The liability in respect of final-year pay enhancement pensions has been recognised as a charge to the General Fund. Also, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

History of experience gains and losses

The experience gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities of the scheme at 31 March:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Arising on assets of the scheme	(0.2%)	(7.4%)	(40.4%)	25.1%	(1.5%)
Arising on liabilities of the scheme	0.4%	(0.7%)	0.0%	(0.1%)	4.0%

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the past 7 years is minus £13,944m (minus £27,344m at 31 March 2010).

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended at 31 March 2011	Approximate increase to employer liability (%)	Approximate monetary amount £000
0.5% decrease in real discount rate	9%	6,797
1 year increase in member life expectancy	3%	2,261
0.5% increase in the salary increase rate	2%	1,310
1.5% increase in the pension increase rate	7%	5,177

NOTES TO THE FINANCIAL STATEMENTS

40 CONTINGENT LIABILITIES

Rent Bonds

The Council issues "rent bonds" to encourage private sector landlords to provide rented accommodation to clients that might otherwise be homeless. The rent bond covers the deposit that a landlord might expect on commencement on a tenancy. Should the tenant not meet certain specified obligations on the termination of the tenancy, the landlord can claim certain costs back from the Council. The Council issued 42 rent bonds in 2010/11 with a total value of £38,300. Experience from the first two years of the scheme indicates that there will be a call on the Council rent bonds. This has been estimated at 25% of the bonds issued and a provision of £10,000 has been made in the Income and Expenditure Account accordingly. There remains a potential maximum liability of £28,300, although it is highly unlikely that all rent bonds will be fully called upon.

Achieve Lifestyle Pensions

On 1 April 2011 the Council transferred the operation of its two Leisure Centres to Achieve Lifestyle, a newly created Leisure Trust. As part of the transfer, the Council agreed to cover any losses arising from actuarial changes to the cost of pensions borne by the Trust arising from obligations before the date of the transfer. The Council would be liable to pay any revised contributions deemed necessary by the pensions administering authority (Surrey County Council), that it cannot recover from the Trust. It is not possible to quantify the amounts of any liability as any amount will depend on future factors and dates that are unknown and, certainly in the case of actuarial changes, outside of the Council's control.

Potential litigation

In early 2006 the Council entered into a Heads of Terms agreement with the Virginia Water Development Company (VWDC) in connection with a proposed re-development of Virginia Water station and its immediate environment. During 2010, after several years of negotiation, the Council terminated this exclusivity agreement to progress other options for the site. VWDC have since submitted an unquantified claim in excess of £5m to recover the expenses that they incurred during the four years of negotiations with the Council. Prior to terminating the agreement, external legal advice was sought to ensure that any risks to the Council were mitigated before proceeding, and the Council vigorously denies that any such money is due to VWDC.

41 CONTINGENT ASSETS

Planning appeal

Over several years numerous breaches of planning control have been observed at Padd Farm in Egham and the Council have proceeded with enforcement action to ensure that the planning controls are adhered to. The resulting planning inquiry was heard in 2009/10 and the costs incurred during the year amounted to £121,900 all of which were charged to the Income and Expenditure Account. Both parties applied for their costs to be met during the appeal process. A successful outcome for the Council was announced in May 2010 and the Council is awaiting a ruling on the level of costs that it may recover.

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Treasury policy and financial risk management

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

- Investments in money market funds, term instruments and deposits at short notice.
- Short-term debtors, creditors, deposits and cash arising directly from operations

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

Investment Management

Runnymede Borough Council has adopted the "Treasury Management in the Public Services: Code of Practice" published by CIPFA, and sets treasury management indicators to control key financial instrument risks in accordance with the CIPFA "Prudential Code for Capital Finance in Local Authorities".

NOTES TO THE FINANCIAL STATEMENTS

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Council invests in wholesale money markets for the short and medium term so as to manage effectively short-term cash flows and to secure a degree of stability in returns over the medium term. Cash required to meet short-term needs is held in money market funds and in call or short-notice deposit accounts. The Council has no long-term borrowing requirement. The Council does not hold or issue financial instruments for trading purposes. The treasury function is managed as a cost centre and does not engage in speculative trading.

Treasury activities expose the Council 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 a party might not have funds available to meet its commitments to make payments.

Market risk: The possibility that the value of an investment will fluctuate as a result of changes in such measures as interest rates.

The Council's overall treasury policies and procedures focuses on the unpredictability of financial markets and seek to minimise potential adverse affects on the resources available to fund services. Treasury risk is managed under policies approved by the Council in the annual treasury management strategy and Annual Investment Strategy. These policies cover the principles for overall treasury risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits can only be made with financial institutions that meet defined credit criteria, and sets limits for the amount that can be let to any one institution (including any subsidiaries). We use the ratings supplied by Fitch IBCA, supplemented by ratings from other agencies. The Annual Investment Strategy in force for 2010/11 was approved by the Council in March 2010, and revised in October 2010. A copy of the Strategy is available on the Council's website.

Treasury management consultants are contracted to provide advice on investment strategy, counterparty suitability, credit ratings, and other treasury management issues. No credit limits were exceeded during 2010/11. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Our Annual Investment Strategy was revised in March 2010 to allow deposits at call to be made with highly rated foreign banks located in countries with a high credit score too. No such deposits have been made up to the date of issue of these Statements.

Many building societies do not have credit ratings and therefore a separate set of criteria is used for assessing their credit risk. Our policy on asset distribution is that, as far as reasonably possible, no more than 75% of total investments made are to be lent to building societies at any one time.

For trade and operational credit, where a significant commitment is entered into, customers are assessed for their credit-worthiness by taking into account their financial position, past experience and other factors.

NOTES TO THE FINANCIAL STATEMENTS

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk: Investments

All investments were made to organisations that held strong credit ratings at the time the investment was made. However, the problems in the banking and building society sectors that were exposed in 2008 and 2009 have caused the credit ratings of the great majority of institutions to be downgraded. This means that at 31 March 2011 the Council holds a number of term investments that no longer meet our minimum credit criteria. There is currently no reason to assume that there will be any default by the borrowers and, therefore, no provision for impairment has been made in respect of these investments.

The following table summarises the Council's exposure to credit risk by categorising assets classified as investments based on the long-term and short-term credit ratings (supplied by Fitch IBCA) of the institutions as at 31 March 2011:

Long and short-term investments				
	Credit rating at 31 March 2010	Carrying value at 31 March 2010	Credit rating at 31 March 2011	Carrying value at 31 March 2011
		£000		£000
Long-term investments				
Building societies - with credit rating	AA- and A	1,772	AA- and A	1,879
Building societies - no credit rating	Not rated	1,775	Not rated	0
		3,547		1,879
Short-term investments				
Banks	AA-	1,504	AA-	3,516
Banks and other financial institutions	Not rated	0	Not rated	1,878
Building societies - with credit rating	AA- and A	3,539	AA- and A	3,017
Building societies - with credit rating	A- and BBB+	0	A- and BBB+	3,015
Building societies - no credit rating	Not rated	4,107	Not rated	1,006
Government stocks	Not rated	2	Not rated	2
		9,152		12,434
Cash and cash equivalents				
Banks - Deposit Accounts	AA-	2,008	AA-	2,506
Money Market funds	AAA	2,451	AAA	2,651
Cash and bank balance	-	222		147
		4,681		5,304

Credit risk: Trade and operational receivables

The Council does not generally allow credit for customers. The impairment is based on the type of debt and time elapsed since the debt was due and, for larger debts, and individual appraisal of the likelihood of recovery. The past due amount by age is as follows:

Trade and operational receivables			
2009/10		2010/11	
Gross debt due	Impairment provision	Gross debt due	Impairment provision
£000	£000	£000	£000
Less than three months	895	92	67
Three to six months	215	96	75
Six months to one year	317	187	97
More than one year	651	489	446
Total trade & operational receivables	2,078	864	685

NOTES TO THE FINANCIAL STATEMENTS

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

None of the Council's financial assets is secured by collateral or other credit enhancements.

Credit risk: Prepayments, accrued income and other receivables

The Council has other types of debtors that are categorised as financial instruments. These are itemised in note 16 to the accounts. All these items are expected to be repaid in full.

Credit risk: Housing - Tenant arrears

The following table discloses arrears and the provision made for council tenants arrears. These include all forms of housing that the Council provides, including properties accounted for within the Housing Revenue Account, and dwellings managed for a local housing association.

	Housing - Tenant arrears			
	2009/10		2010/11	
	Gross debt due £000	Impairment provision £000	Gross debt due £000	Impairment provision £000
Less than three months	215	89	213	85
Three to six months	38	16	31	13
Six months to one year	30	12	19	8
More than one year	33	14	16	6
Housing - tenant arrears	316	131	279	112

Liquidity risk

Liquidity risk is not a significant risk for the Council. This is because our short-term investments are placed to mature when known significant liabilities will become payable. Typically a proportion of investments will also be held on call or at short notice in deposits at banks and in money market funds.

The Council also has ready access to borrowing from the money market or from the PWLB if funds are required for the short-term. Short-term flexibility is also available through an authorised overdraft facility of £50,000 with our bankers. The modest amount of short-term borrowing disclosed on our balance sheet represents balances held by the Council on behalf of local trusts and charities.

Contractual liabilities are disclosed in note 20 for creditors and note 15 for short-term borrowing. All these liabilities are current.

Market risk

The fair value of a financial instrument held by the Council may fluctuate because of changes in market prices, principally short-term interest rates.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Upward movements in interest rates will have a beneficial effect on the amount of interest income credited to the Comprehensive Income and Expenditure Account to the extent that short-term investments will be made at the higher interest rates. However, the fair value of investments made previously at fixed rates will fall. Downward movements in interest rates will have the opposite impact.

NOTES TO THE FINANCIAL STATEMENTS

42 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The strategy for managing interest rate risk includes making a proportion of investments for longer terms in order to provide stability in returns and as a defence against the financial impact of lower interest rates. This strategy is tempered by the need to consider the credit risk of counterparties, and the longer-term liquidity risk of having too many investments tied into longer maturities.

The following table shows our long and short term investments held at fixed and variable rates of interest:

Analysis of all investments between fixed and variable rate terms				
As at 31 March 2010			As at 31 March 2011	
Fixed £000	Variable £000		Fixed £000	Variable £000
		<u>Term investments</u>		
3,547	0	Long term investments	1,879	0
7,646	1,504	Short-term investments	12,432	0
		<u>Investments at call or short notice</u>		
0	2,451	Money market funds	0	2,651
0	2,008	Deposit accounts at banks at call	0	2,506
0	222	Cash and bank balances (note18)	0	147
2	0	Available-for-sale financial assets at fair value	2	0
11,195	6,185		14,313	5,304

At the Balance Sheet date, the investments held in money market funds and at deposit at banks were subject to daily changes in interest rates. The holdings in cash and bank balances currently attract no interest.

As a guide, the impact on the Comprehensive Income and Expenditure Account if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	0
Increase in interest receivable on fixed rate investments made in the year	86
Impact on Surplus or Deficit on the Provision of Services	86
Share of overall impact credited to the HRA	8
Decrease in the fair value of fixed-rate investments (no impact on the Comprehensive Income and Expenditure Account)	(59)

Price risk

The Council does not generally invest in equity shares or joint ventures and held no such investments during 2009/10 or 2010/11.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

43 EXPLANATION OF TRANSITION TO IFRS

This is the first period that the Council has presented its Statement of Accounts under IFRS. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

Differences between IFRS and UK GAAP

The following notes explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent figures presented in the Statement of Accounts for 2009/10.

1. Presentation of Financial Statements

The presentation format of IFRS is different from UK GAAP and the illustrative financial information herein is designed to assist the reader to understand these changes.

2. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, these costs must be accounted for in the year that they are earned. The Council has recognised the cost of accrued leave earned but not taken at 31 March each year in the Statement of Accounts for 2009/10 and, therefore, no change is required as a consequence of moving to IFRS.

However, the government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

These regulations result in the following change being made to the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments made £000
Opening 1 April 2009 Balance Sheet		
Revenue Reserves	10,087	279
Accumulating Absences Account	0	(279)
31 March 2010 Balance Sheet		
Revenue Reserves	8,349	290
Accumulating Absences Account	0	(290)

3. Leases

In respect of leases, IFRS has a wider scope than UK GAAP. This has resulted in a lease agreement for vehicles used in the meals-on-wheels service being accounted for as a finance lease where it was previously accounted for as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund will be unchanged.

As a consequence of classifying the vehicle lease as a finance lease, the financial statements have been amended as follows:

NOTES TO THE FINANCIAL STATEMENTS

43 EXPLANATION OF TRANSITION TO IFRS (Continued)

- The vehicles are recognised as an asset and a finance lease liability in the Balance Sheet
- The operating lease charge in the Adult Social Care heading in the Comprehensive Income and Expenditure Account has been reduced by the amount that relates to the finance element of the lease payments
- A depreciation charge has been included within Adult Social Care
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for that year.
- The interest element of the lease payment is charged to the Financing and Investment Income and expenditure line in Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements.

	2009/10 Statements £000	Adjustments made £000
Opening 1 April 2009 Balance Sheet		
Property, plant and equipment (leased assets)	0	18
Finance lease liability	0	(18)
31 March 2010 Balance Sheet		
Property, plant and equipment (leased assets)	0	11
Finance lease liability	0	(11)
2009/10 Comprehensive Income and Expenditure Account		
Adult Social Care	1,608	4
Financing and investment income and expenditure	701	7

The net change to Adult Social Care consists of the removal of the operating lease charge (-£7,000) and the inclusion of the depreciation charge (+£11,000).

The net increase in Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account and inclusion of the Minimum Revenue Provision Charge of £11,000. These transfers are shown in the Movement in Reserves Statement.

4. Government Grants - Capital grants

Under the Code, grants and contributions for capital schemes are recognised as capital income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

NOTES TO THE FINANCIAL STATEMENTS

43 EXPLANATION OF TRANSITION TO IFRS (Continued)

- Capital Grants received in 2009/10 are recognised in the Comprehensive Income and Expenditure Statement rather than held in the Government Grants Deferred Account.

This has resulted in the following changes in the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments made £000
Opening 1 April 2009 Balance Sheet		
Government Grants Deferred Account	(1,052)	1,052
Capital Adjustment Account	(289,712)	(1,052)
31 March 2010 Balance Sheet		
Government Grants Deferred Account	(1,136)	1,136
Capital Adjustment Account	(311,000)	(1,136)
2009/10 Comprehensive Income and Expenditure Account		
Central services to the public	985	6
Cultural, environmental, regulatory and planning services	11,481	188
Highways and transport services	193	1
Other housing services	1195	21
Adult social care	1,608	3
Corporate and democratic core	1,738	1
Taxation and non-specific grant income	(10,327)	(194)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

5. Revenue grants and contributions

Under the Code, revenue grants and contributions are recognised as income when they become receivable. Previously, some revenue grants were held in a deferred revenue credits account and recognised as income over a period of time. As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Deferred Revenue Credits Account at 31 March 2009 has been transferred to a Revenue Credits Reserve in the opening 1 April 2009 Balance Sheet.

- Portions of deferred revenue credits previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- Revenue grants received in 2009/10 are recognised in the Comprehensive Income and Expenditure Statement rather than held in the Deferred Revenue Credits Account.

This has resulted in the following changes in the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments made £000
Opening 1 April 2009 Balance Sheet		
Deferred Revenue Credits Account	(412)	412
Earmarked Reserves - Revenue Credits Reserve	0	(412)

NOTES TO THE FINANCIAL STATEMENTS

43 EXPLANATION OF TRANSITION TO IFRS (Continued)

	2009/10 Statements £000	Adjustments made £000
31 March 2010 Balance Sheet		
Deferred Revenue Credits Account	(353)	353
Earmarked Reserves - Revenue Credits Reserve	0	(353)
2009/10 Comprehensive Income and Expenditure Account		
Cultural, environmental, regulatory and planning services	11,481	254
Highways and transport services	193	149

There is no change to the General Fund Balance, as the net transactions are transferred to a new Revenue Credits Reserve in the Movement in Reserves Statement.

NOTES TO THE FINANCIAL STATEMENTS

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HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10		Note	2010/11
£000			£000
	<u>INCOME</u>		
13,160	Dwelling rents	49	13,526
616	Non-dwelling rents		615
430	Charges for services and facilities		336
<u>14,206</u>	Total Income		<u>14,477</u>
	<u>EXPENDITURE</u>		
2,213	Repairs and maintenance	51	1,842
2,764	Supervision and management		2,821
1	Rents, rates, taxes and other charges		0
5,960	Negative HRA subsidy payable to the government	52	6,076
2,235	Depreciation of non-current assets	53	2,244
(25,951)	Impairment of non-current assets	54	69,099
3	Change in provision for uncollectable rents	50	3
<u>(12,775)</u>	Total Expenditure		<u>82,085</u>
(26,981)	Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		67,608
197	HRA services share of corporate and democratic core costs		201
0	Exceptional costs - Redundancy & retirement	38	17
37	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	55	38
<u>(26,747)</u>	Net Cost for HRA Services		<u>67,864</u>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
11	Gains and losses on the sale of HRA non-current assets	57	11
	Financing and Investment Income and Expenditure		
(86)	Interest and investment income		(41)
(54)	Income from investment properties		(54)
167	Pensions interest cost and expected return on pension assets	56	77
<u>(26,709)</u>	(Surplus) or Deficit on Provision of HRA Services		<u>67,857</u>

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This Statement takes the surplus or deficit on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2009/10 £000		2010/11 £000 £000
(26,709)	(Surplus) or Deficit for year on the HRA Income and Expenditure Account	67,857
26,574	Adjustments between accounting basis and funding basis under statute	(69,205)
<u>(135)</u>	Net (Increase) or decrease before transfers to or from reserves	<u>(1,348)</u>
0	Transfer to the General Fund	3,000
<u><u>(135)</u></u>	(Increase) or decrease in the year on the HRA	<u><u>1,652</u></u>
£000		£000
(3,088)	HRA balance at the beginning of the year	(3,223)
(135)	(Increase) or decrease in the year on the HRA	1,652
<u><u>(3,223)</u></u>	HRA Balance carried forward at the end of the year	<u><u>(1,571)</u></u>

NOTE TO THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT
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2009/10 £000		2010/11 Note £000
	Items included in the HRA Income and Expenditure Statement but excluded from the Movement on the HRA Statement:	
25,951	Impairment of non-current assets	54 (69,099)
(149)	Pension costs charged to the HRA in accordance with IAS 19	56 (255)
(167)	Pensions interest cost and expected return on pension assets	56 (77)
(11)	Net gain or loss on the disposal of assets	57 (11)
	Items not included in the HRA Income and Expenditure Statement but included in the Movement on the HRA Statement:	
700	Capital expenditure funded by the HRA	47 0
250	HRA share of employer's contributions to the Surrey Pension Fund	56 237
<u>26,574</u>	Adjustments between accounting basis and funding basis under statute	<u>(69,205)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

44 HOUSING ASSETS

Stock Numbers

The Council was responsible for managing the following dwellings during 2010/11:

	DIYSO stock	Houses & bungalows	Flats & maisonettes	Total stock
Stock at 1st April 2010	51	1,897	996	2,944
Sales of dwellings	(1)	(1)	(3)	(5)
Demolished property		(1)		(1)
Stock at 31st March 2011	50	1,895	993	2,938

At 31st March 2011 the Council also had 25 hostel rooms incorporating 83 bed spaces available for the homeless. Additionally, the Council owned mobile home site at Heathervale Way has 68 mobile home plots, of which 17 are occupied by mobile homes also owned by the Council.

Stock Valuation - Balance Sheet Basis

The basis for the balance sheet valuation for the bulk 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. With effect from this year the adjustment factor is prescribed by the government and has been set at 32% (previously 45%) of the vacant possession value. The factor broadly represents the ratio of local authority rents and yields to private sector rents and yields for the south-east region. The mobile home site at Heathervale Way, and our stock of garages, have been valued using the Market Value in Existing Use method (MV-EU). The shared ownership stock was valued using a mix of market valuation and capitalisation of rental income methods.

The properties in the HRA were comprehensively revalued by the Council's Valuer in accordance with the government directions contained in *Guidance for Valuers on Stock Valuation for Resource Accounting 2010*, published by the Department for Communities and Local Government in January 2011. The valuation date is April 2010. (The previous valuation was carried out in April 2005 and in subsequent years, the valuations were adjusted by reference to relevant house price indexes as published by the Nationwide Building Society.)

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 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 reduces the balance sheet valuation.

	1 April 2010 £000	31 March 2011 £000
Council dwellings	247,265	183,142
Other land and buildings		
Mobile home site and garages	4,890	4,890
Other land and buildings	267	267
Surplus assets not held for sale	260	260
Investment properties	575	575
Total HRA Assets	253,257	189,134

NOTES TO THE HOUSING REVENUE ACCOUNT

45 STOCK VALUATION - VACANT POSSESSION VALUE

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. The vacant possession value as at 1 April 2010 has been estimated at £558m for dwellings and £7m for other housing assets including development land.

The vacant possession value and balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than market rents.

46 MAJOR REPAIRS RESERVE

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

2009/10 £000		Note	2010/11 £000
0	Opening balance at 1 April		0
2,235	Transfer from the Capital Adjustment Account		2,244
(2,235)	Financing of capital expenditure on HRA assets	47	(2,067)
<u>0</u>	Closing balance at 31 March		<u>177</u>

The transfer from the Capital Adjustment Account is equal to the depreciation on dwellings charged to the HRA (matching the Major Repairs Allowance) of £2,243,908. The total expenditure from the Major Repairs Reserve during 2010/11 has been used to finance capital works (improvements and major repairs and enhancements) to the housing stock. The residual balance of £177,346 will be used in 2011/12.

47 CAPITAL EXPENDITURE ON HRA PROPERTY

The following table summarises total capital expenditure on land, houses and other property accounted for within HRA during 2010/11, and the source of finance:

Capital expenditure on HRA property and sources of finance					
Total 2009/10		Source of Funding in 2010/11			
		Capital receipts	Revenue contribu- tions	Major Repairs Reserve	Total
£000		£000	£000	£000	£000
	Works to existing stock				
118	Central heating and insulation	0	0	163	163
1,538	Kitchen & bathroom upgrade works	0	0	641	641
1,279	Other major works & improvements	0	0	1,263	1,263
<u>2,935</u>	Total capital expenditure on HRA assets	<u>0</u>	<u>0</u>	<u>2,067</u>	<u>2,067</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

48 CAPITAL RECEIPTS FROM HRA PROPERTY

The following table summarises total capital receipts arising from the disposal of land, houses and other property accounted for within the HRA:

2009/10		Land	2010/11 Dwellings	Total
Total		£000	£000	£000
299	Sale of council houses (Right-to-buy)	0	344	344
288	Shared ownership sales and receipts	0	257	257
1,848	Sale of Runnymede Road (flats)	0	398	398
0	Other sales and receipts	34	0	34
<u>2,435</u>	Total capital receipts from HRA disposals	<u>34</u>	<u>999</u>	<u>1,033</u>

Government Regulations require a proportion of housing receipts to be pooled. The payment to the Government in 2010/11 totalled £251,938 (2009/10 in £217,294).

49 GROSS RENT INCOME

This item comprises the income from rents and charges in respect of houses and other property within the account. It includes rent remitted by way of rebate.

Average weekly rents by property type	2009/10	2010/11
Bedsits	£50.98	£52.53
1 bed dwellings	£71.92	£74.09
2 bed dwellings	£86.39	£89.01
3 bed dwellings	£94.20	£97.05
4 bed dwellings	£102.03	£104.83
5 or more bed dwellings	£122.13	£125.82

At 31st March 2011, 48 properties were empty, of which 13 were Reception Centre rooms and 6 Council mobile homes used as temporary accommodation for the homeless.

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. During 2010/11 approximately 1,790 tenants received some help with their rents of which 1,020 were wholly relieved of the rent burden.

50 ARREARS AND PROVISION FOR UNCOLLECTABLE RENTS

Rent arrears on all HRA housing as a proportion of gross rent income (including some small other charges collected with rents) was 1.36% as at 31st March 2011. This compares to 1.57% as at 31st March 2010. The figures are as follows:

2009/10		2010/11
£000		£000
192	Current tenants	179
25	Former tenants	14
<u>217</u>	Total tenants arrears of rent at 31st March	<u>193</u>

A provision of £109,440 has been made for HRA arrears estimated to be uncollectable as at 31st March 2011, a reduction of £15,480 on the provision of £124,920 as at 31st March 2010. Amounts written off in the year totalled £18,795 (£9,240 in 2009/10), making a net change in uncollectable rents in the year of £3,315. In addition to the arrears of rent, there are £30,013 of court and debt collection costs outstanding as at 31st March 2011 (£29,957 at March 2010).

NOTES TO THE HOUSING REVENUE ACCOUNT

51 HOUSING REPAIRS AND MAINTENANCE

The HRA Income and Expenditure Account discloses revenue expenditure on repairs and maintenance of dwellings within the account:

2009/10 £'000		2010/11 £'000
913	Cyclical maintenance	624
824	Demand and responsive maintenance	775
413	Repairs on empty dwellings and redecoration allowances	408
63	Minor works and works to assist elderly person transfers	35
2,213	Repairs and maintenance revenue expenditure	1,842

52 HOUSING REVENUE ACCOUNT SUBSIDY

HRA subsidy is calculated in accordance with determinations made by the government under Section 80 of the Local Government and Housing Act 1988. It is calculated by reference to a notional account broadly comprising management and maintenance costs and capital charges on one hand, and income from rents and other receipts on the other. HRA subsidy represents the difference between notional costs and income. The sums involved are not the same as those recorded in the actual HRA.

For Runnymede, the notional income exceeds expenditure. The difference is paid to the government. The cost of rent rebates granted to council tenants, and the government subsidy receivable, are accounted for in the General Fund. The components of the calculation are as follows:

2009/10 £'000		2010/11 £'000
4,722	Management and maintenance allowances	4,825
2,235	Major Repairs Allowance	2,244
37	Other reckonable expenditure and allowances	39
6,994	Total reckonable expenditure	7,108
(12,954)	Notional rental and other reckonable income	(13,184)
0	Adjustment to previous years HRA subsidy entitlement	0
(5,960)	HRA Subsidy receivable from (payable to) the government	(6,076)

53 DEPRECIATION ON FIXED ASSETS

The HRA is constructed under a resource accounting framework whereby all housing assets must be considered for depreciation. The amount of the Major Repairs Allowance (a component of HRA subsidy) is used as a reasonable estimate of depreciation for council housing. The charge for depreciation is set at the level of the Major Repairs Allowance for 2010/11 in the sum of £2,243,908 (2009/10, £2,234,647) and is allocated as follows:

2009/10 £'000		2010/11 £'000
2,189	Council dwellings	2,183
46	Other land and buildings	61
2,235	Total HRA Assets	2,244

NOTES TO THE HOUSING REVENUE ACCOUNT

54 IMPAIRMENTS ATTRIBUTABLE TO THE HRA

Impairments include capital expenditure on HRA property that does not increase the value of fixed assets and reductions in valuation of non-current assets over and above any surpluses held in the Revaluation Reserve for those assets.

2009/10		2010/11		
Total		Land	Houses	Total
£000		£000	£000	£000
(27,563)	Fall in general property prices	0	0	0
0	Change in discount rate used in valuations	45,511	22,755	68,266
<u>1,612</u>	Other impairments	<u>0</u>	<u>833</u>	833
<u>(25,951)</u>	Total impairments	<u>45,511</u>	<u>23,588</u>	69,099

During 2009/10, there was an increase in the value of the housing stock in line with the general increase in property values in the wider housing market.

In 2010/11, there has been a large reduction in the Existing Use Value of our housing stock. This was largely as a result in the reduction of the discount rate used in the valuation of council dwellings as determined in Government guidance from 45% to 32%. The reduction in the balance sheet value of the council dwellings is reflected in the above impairment. Discount rates are applied nationally to all valuations of council housing in order to value them in their existing use (as a council house). The Government guidance explains that the change in the discount rate reflects the additional risks and liabilities faced by public sector landlords when compared to private sector investors.

Regulations require that the accounting entries for impairment charges are reversed out for the purpose of calculating the charge to HRA balances. This entry is made in the Movement on the HRA Statement and the reversal is made to the Capital Adjustment Account.

55 HRA SHARE OF OTHER AMOUNTS

In accordance with the Best Value Accounting Code of Practice 2010/11, the HRA receives a complete allocation of the cost of support and other services. In this instance, a charge is made to the HRA to represent a share of the cost of capital in respect of the use of the Runnymede Civic Centre.

56 CHARGES TO THE HRA FOR PENSIONS

Charges for the pension costs of staff in the HRA Income and Expenditure Statement are made on the IAS 19 accounting basis for the current service cost element of pension costs and settlements and curtailments only. The amount included in the 2010/11 accounts is £254,900 (£148,800 in 2009/10) for current service cost. There were no curtailment costs chargeable during 2010/11 (none in 2009/10). The total charge of £254,900 is reversed out in the Movement in Reserves Statement and is replaced with the sum payable (£236,644) to the pension fund under the statutory arrangements for the HRA.

Estimated charges are made to the HRA for the pensions interest cost and expected return of assets elements of IAS 19. The current staffing cost in the HRA as a proportion of the authority as a whole is used as a proxy for allocating a cost of these items to the HRA. This resulted in a charge of £77,000 in 2010/11 (£167,000 in 2009/10).

Details on the overall revenue charges for pensions are provided in Note 39.

NOTES TO THE HOUSING REVENUE ACCOUNT

57 GAINS AND LOSSES ON THE SALE OF HRA FIXED ASSETS

The costs associated with the sales of council housing under the Right-to-Buy rules are treated as a loss on the disposal of the assets. These costs are met by a transfer from the Capital Receipts Reserve.

There were no other gains or losses on the sale of HRA assets in either 2009/10 or 2010/11.

2009/10		2010/11
£000		£000
11	Right-to-Buy administration costs	11

THE COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates

2009/10 £000		Note	2010/11 £000
	<u>INCOME</u>		
43,018	Council tax (net of council tax benefit)	58 & 59	44,435
4,199	Council tax benefits	59	4,492
41,377	Income collectable from business ratepayers	62	40,517
350	Contributions towards the previous year's Collection Fund deficit	60	0
88,944	Total Income		89,444
	<u>EXPENDITURE</u>		
	Precepts and demands		
35,964	Surrey County Council	58	37,214
6,401	Surrey Police Authority	58	6,618
4,389	Runnymede Borough Council	58	4,563
	Council Tax - bad and doubtful debts		
63	Uncollectable amounts written off in the year	61	127
88	Change in the provision for doubtful debts and appeals	61	(25)
0	Contributions towards the previous year's Collection Fund surplus	60	138
	Business rates		
41,236	Payment to the national pool	62	40,382
141	Cost of collection allowance	62	135
88,282	Total Expenditure		89,152
662	Surplus in the year		292

MOVEMENT ON COLLECTION FUND BALANCE

The Movement on Fund Balance statement shows the overall movement on the Collection Fund during the year, calculated in accordance with statutory provisions.

2009/10 £000		Note	2010/11 £000
(646)	Balance at start of the year		16
662	Surplus in the year		292
16	Balance at end of the year	63	308

NOTES TO THE COLLECTION FUND

58 COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Surrey County Council, the Surrey Police Authority and Runnymede Borough Council for the forthcoming year and dividing this by the Council Tax Base.

The Council Tax Base is calculated before the start of the year by estimating the number of dwellings in each valuation band (adjusted for dwellings where discounts apply) and converting this into an equivalent number of band "D" dwellings. The calculation of the Council Tax Base for 2009/10 and 2010/11 together with the resulting Council Tax for each band is set out below:

COUNCIL TAX BASE AND AMOUNTS CHARGED FOR 2009/10 and 2010/11						
2009/10		Band	Range of property values	Proportion	2010/11	
Band D equivalent number	Council Tax £				Band D equivalent number	Council Tax £
784	943.98	A	Up to £40,000	6/9	777	967.86
771	1,101.31	B	£40,000 to £52,000	7/9	820	1,129.17
4,318	1,258.64	C	£52,001 to £68,000	8/9	4,358	1,290.48
9,022	1,415.97	D	£68,001 to £88,000	1	9,153	1,451.79
7,011	1,730.63	E	£88,001 to £120,000	11/9	7,029	1,774.41
4,939	2,045.29	F	£120,001 to £160,000	13/9	5,031	2,097.03
4,364	2,359.95	G	£160,001 to £320,000	15/9	4,331	2,419.65
1,770	2,831.94	H	More than £320,000	18/9	1,788	2,903.58
40			Other properties		49	
33,019		Council Tax Base			33,336	

The Collection Fund includes the actual net cash payments to the precepting authorities - Surrey County Council, and Surrey Police Authority - and the Demand transferred from the Collection Fund to the General Fund of Runnymede Borough Council. The precept and demand are calculated by multiplying the Band D tax set by each authority by the council tax base:

Band D council tax and precept/demand for each precepting authority				
2009/10			2010/11	
Band D tax £	Precept/demand £000		Band D tax £	Precept/demand £000
1,089.18	35,964	Surrey County Council	1,116.36	37,214
193.86	6,401	Surrey Police Authority	198.54	6,618
132.93	4,389	Runnymede Borough Council	136.89	4,563
1,415.97	46,754		1,451.79	48,395

NOTES TO THE COLLECTION FUND

59 COUNCIL TAX INCOME

The gross income from Council Tax in the year is set out below:

2009/10		2010/11
£000		£000
43,018	Due from council tax payers	44,435
4,199	Council tax benefit granted	4,492
(63)	Council tax written off	(127)
(88)	Change in provision for doubtful debts	25
<u>47,066</u>	Gross income from Council Tax	<u>48,825</u>

60 CONTRIBUTIONS FOR PREVIOUS YEARS SURPLUSES AND DEFICITS

Council tax is set before each financial year on the basis of the Collection Fund balancing to zero. However, changes in yields and assumptions about collectability during the year will result in a surplus or deficit on the Fund at the year-end. There are statutory arrangements that ensure that any surplus or deficit arising is distributed to or recovered from the billing authority (Runnymede) General Fund and from precepting authorities in succeeding financial years.

The contributions of £350,000 made to the Collection Fund in 2009/10 were calculated in January 2009 to clear the estimated deficit at 31 March 2009.

The payments of £138,000 made from the Collection Fund in 2010/11 were calculated in January 2010 to distribute the estimated surplus at 31 March 2010.

2009/10		2010/11
£000		£000
270	Surrey County Council	(106)
48	Surrey Police Authority	(19)
32	Runnymede Borough Council	(13)
<u>350</u>	Contributions towards the estimated council tax deficit (surplus)	<u>(138)</u>

61 PROVISION FOR DOUBTFUL DEBTS AND APPEALS

A provision of £536,000 has been made for Council Tax estimated to be uncollectible as at 31 March 2011, a reduction of £25,000 from the previous year. This provision is based on a realistic assessment of the likely non-collection of Council Tax calculated by reference to the status of the debtor and the stage of the collection process reached, and in assessing the outcome of appeals against banding decisions by local taxpayers. Actual write offs of Council Tax in the year amounted to £126,698 (£63,173 in 2009/10).

Changes in provisions for Business Rates arrears are included within the income figure for that tax. Write offs of Business Rates in 2010/11 totalled £21,629 (£74,060 in 2009/10).

NOTES TO THE COLLECTION FUND

62 NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

Business Rates is organised on a national basis. The latest rating list came into force on 1 April 2010. The Government specifies a rate poundage and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The rate poundage set for 2010/11 was 41.4p (2009/10 was 48.5p). Small businesses had a lower rate poundage of 40.7p in 2010/11 (48.1p in 2009/10). The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The payment to the national pool is set out below:

2009/10		2010/11
£000		£000
45,647	Gross Business Rates due	48,834
(4,270)	Less: Allowances and other adjustments	(8,317)
<u>41,377</u>	Income collectable from business ratepayers	<u>40,517</u>
(141)	Cost of collection allowance	(135)
<u><u>41,236</u></u>	Payment to the National Pool	<u><u>40,382</u></u>

The total non-domestic rateable value of the 2005 valuation list was £97.8m as at 31st March 2011 (£99.1m at 31st March 2010). The 2010 valuation list has a rateable value of £106.6m as at 31 March 2011 (£107.4m at 31st March 2010).

63 ACCOUNTING FOR COUNCIL TAX INCOME

The Collection Fund includes the actual net cash payments to the precepting authorities - Surrey County Council, and Surrey Police Authority - and the Demand transferred from the Collection Fund to the General Fund of Runnymede Borough Council. The Income and Expenditure Account includes the share of council tax income accounted for on a full accruals basis. The Statement below shows the precept/demand and the share of the council tax surplus in the year attributable to each authority:

Council tax income recorded in the Income and Expenditure Account						
2009/10		2010/11				
Total		Precept/ demand	Previous year surplus		Share of 31 March surplus	Total
£000		£000	Actual	Estimate	£000	£000
36,204	Surrey County Council	37,214	(12)	106	237	37,545
6,444	Surrey Police Authority	6,618	(2)	19	42	6,677
4,418	Runnymede Borough Council	4,563	(1)	13	29	4,604
<u>47,066</u>		<u>48,395</u>	<u>(15)</u>	<u>138</u>	<u>308</u>	<u>48,826</u>

CABRERA RECREATION GROUND TRUST

The Council are trustees of the Cabrera Recreation Ground Trust under a scheme of management made by the Secretary of State for Education and Science in March 1972. The Trust lands are:

- a) 1.9 acres of open space land at Trumps Green, Virginia Water, being the remnant of land the rest of which has been sold to the Surrey County Council for educational purposes under the terms of a Compulsory Purchase Order.
- b) 51.74 acres of land either side of the River Bourne between Wellington Avenue and Virginia Water Station car park. The land is completely undeveloped and has a considerable interest because of its fauna and flora content.

The Trust also has powers to make payments to other recreational institutions in Virginia Water to be applied in or towards the achievement of the Trust's objectives.

The Committee of Management consists of three Virginia Water ward members and two officers of Runnymede Borough Council. This arrangement places the management of Trust land in the hands of local residents.

The Charity has holdings with the Charities Official Investment Fund (Income Shares) and M&G Charifund Shares with the aim of providing an attractive yield, steadily growing income and capital appreciation.

This Trust has not been audited as part of the Statement of Accounts audit.

CABRERA RECREATION GROUND TRUST FUND ACCOUNTS

Revenue Account		
		2010/11 Actual £
2009/10 Actual £		
11,400	Income from investments and contributions etc.	9,923
(16,633)	Expenses and works	(17,824)
46,722	Gain/(Loss) in valuation of investments	7,628
41,489	Surplus (Deficit) for Year	(273)

Balance Sheet as at 31st March		
		As at 31 Mar 2011 £
As at 31 Mar 2010 £		
177,071	Fund balance at 1st April	218,560
41,489	Add Surplus (Deficit) for Year	(273)
218,560	Fund Balance at 31st March	218,287
	Represented By:	
	Investments at market valuation:	
19,000	Runnymede Borough Council	11,000
92,861	Charities Official Investment Fund - Income Shares	95,226
105,908	M&G Charifund	111,172
	Net current assets:	
791	Cash at Bank	987
0	Creditors	(98)
218,560		218,287

OTHER TRUST FUNDS

The Council acts as sole custodian trustee for three other trust funds. In these cases the funds do not represent assets of the Council and they have not been included in the consolidated balance sheet.

These trusts have not been audited as part of the Statement of Accounts audit.

Information on these other trust funds are set out below:

OTHER TRUST FUNDS HELD BY THE COUNCIL					
Registered Charity No.	Name of Trust	Balance as at 31 March 10 £	Receipts in year £	Payments in year £	Balance as at 31 March 11 £
305021	Runnymede Pleasure Ground Trust	117,613	113,433	129,304	101,742
304999	Sir Edward Stern Trust Fund	1,806	72	72	1,806
289262	Victory Park Trust Fund	25	0	0	25
257032	Egham War Memorial Upkeep Fund	2,871	153	0	3,024
Totals		122,315	113,658	129,376	106,597

Runnymede Pleasure Ground Trust

In August 1928 sixteen acres of land at Runnymede were given to Egham Urban District Council on trust "for the perpetual use thereof by the public for the purposes of exercise and recreation as an open space". Subsequently a caretaker's cottage, a refreshment chalet, a tea garden, a roadway and a parking area, a bathing pavilion and a residential property were added to the trust. The Fund's monies at 31st March 2011 were £101,741 and were invested with Runnymede Borough Council.

Sir Edward Stern Trust Fund

The Sir Edward Stern Trust Fund relates to a legacy made by Sir Edward Stern of Fan Court, Chertsey to the Chertsey Urban District Council in 1954. The sum left to Chertsey UDC is invested in 4% Consols which have a nominal value of £1,806. Income from the investment is credited to the Chertsey Recreation Ground, for the purposes of maintenance of that recreation ground, in accordance with the provisions of the will.

Victory Park Trust Fund

In 1985, a small part of Victory Park recreation ground was sold to Surrey County Council for £25 for the purpose of a road improvement scheme. This area of land was part of the area of Victory Park which the Council holds in charitable trust and, on the directions of the Charity Commissioners, the sale proceeds of £25 have been invested in trust for Victory Park and the income from the investment is applied towards the maintenance and improvement of Victory Park.

Egham War Memorial Upkeep Fund

The Egham War Memorial Upkeep Fund is a trust set up in 1923 for the upkeep in perpetuity of the War Memorial in Egham Churchyard and in 1985 was amended to include the upkeep of other war memorials in the area of the former Civil Parish of Egham. The trustees are the Council and the Vicar of Egham. Income from investments is accumulated in the Fund and may be used for expenditure which falls within the terms of the trust. The Fund's monies at 31st March 2011 were £2,024 invested with Runnymede Borough Council and £1,000 invested with the Charities Official Investment Fund (market valuation of £1,573).

Other Land Holdings

The Council holds various pieces of land (often for recreational purposes) which have been donated by benefactors, often with conditions that the land is held in trust. So far as it can do so under the trust, the Council manages these land holdings as if they were Council owned property. No endowment was given with such land holdings and the Council bears any deficit on the running costs thereto.

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SCOPE OF RESPONSIBILITY

Runnymede 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 and properly accounted for, and used economically, efficiently and effectively. Runnymede Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Runnymede Borough Council has not adopted a code of corporate governance as recommended in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This is because the current arrangements for corporate governance are considered fit for purpose and the adoption of the Framework would not add to this process. This statement explains how Runnymede Borough Council meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its 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.

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 Runnymede Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Runnymede Borough Council for the year ended 31 March 2011 and up to the date of approval of these Financial Statements.

THE GOVERNANCE FRAMEWORK

Identifying and communicating our purpose and intended outcome for citizens and service users

Runnymede Borough Council has many duties and powers. The processes that are in place to reflect these functions in the Council's aims and objectives and also to identify changes in these requirements are set out below:

- *"Runnymede's Sustainable Community Strategy and Strategic Plan"* (approved by the Council in December 2008) is a statement of aims, developed with Runnymede's Local Strategic Partnership, for the improvement of the economic, social and environmental well being of Runnymede over the next 15 years.
- A rolling five-year financial forecast identifies areas of growth, revenue reductions and capital expenditure plans.
- Mandatory and discretionary service plans and strategies are in place and are reported to committees at regular intervals.

Service targets and objectives set out in these documents, together with local and national performance indicators, are consolidated and analysed in a set of Service Plans reported regularly to service committees, which enable the Council to monitor progress towards the requirement of continuous improvement and to take corrective action where necessary.

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Reviewing our vision and its implications for governance arrangements

During 2010/11, the Council began the development of a new Corporate Plan which will include a refreshment of the community strategy and will be used to inform the planning and place-shaping policies to be set out in the emerging Local Development Framework. The Plan will also set out new arrangements for working in partnership with public and voluntary organisations.

The Corporate Plan will be informed by the Service Review Programme conducted during 2010/11 that examined front line service provision. The reviews were for leisure services, refuse and re-cycling, services for vulnerable people, housing services and strategy, place shaping and workforce planning. The reviews were carried out by the relevant Director supported by a 'critical friend' Director, a group of Officers and a Business Transition Manager. Further challenge was provided by the Chief Executive and a small Member Working Group of three Members.

Measuring the quality of services and ensuring that they represent the best use of resources

Developing the Council's performance management system is a continuing process to increase the efficiency, accountability and analysis of performance management information, and aid greater ownership of performance by staff and Members alike.

Runnymede's *Sustainable Community Strategy and Strategic Plan* has two major themes; Healthier & Safer Communities and Prosperous Communities. These consist of the following sub-themes:

- (i) Crime and Safety,
- (ii) Health and Social Care,
- (iii) Economic Development & Infrastructure,
- (v) Environment

The Plan provides the policy and performance framework for the Council. The Committee based Service Plans seek to bring together those elements from the Plan and a range of other corporate and desirable measures. This provides a control document for senior managers and the responsible committees to monitor and review, as well as highlighting where slippage or other difficulties are occurring and appropriate recovery strategies need to be put in place. Progress reports on the targets and performance indicators set out in the service plans are reported to service Committees on a regular basis.

Policy and decision making framework

The Council sets the overall strategy and policy, and has put in place a well-defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that strategies and policies are effectively implemented and adhered to. The system of internal control is based on a framework contained within the Constitution, including rules and procedures in respect of:

- Functions of the Council, Committees, and Officers;
- Procedures for conducting the Council's business;
- Delegations to Officers;
- Budget and policy framework;
- Ethics and probity;
- Overview and scrutiny;
- Financial and contracts procedures;

Taken together, the Constitution defines how decisions are taken and the processes and controls required in managing risk. The Constitution also contains a wide range of control and policy documents to support sound corporate governance. These policy documents can be viewed on the Council's website at www.runnymede.gov.uk

The Constitution is reviewed in total each year. This process includes consultation with staff, a report to the Corporate Management Committee on proposed changes, and the approval of the revised constitution by the Full Council. Changes are made through the year as appropriate.

Following a comprehensive review by the Local Government Legislation Member Working Group during 2010/11, the Council approved a new Committee structure and revised Constitution at its meeting in April 2011. A new Committee structure was established. There continues to be five policy

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Committees, in order to spread the workload, give all Members a reasonable opportunity to serve in more than one area, and to maintain cross fertilisation. However, the functions for the committees were revised to provide a more logical alignment of functions and would help to promote the Government's localism and big society proposals.

In addition, the Council's legal section is at the heart of the Council structure. This facilitates the oversight of all the Council's decision making processes and ensures propriety in all the Council's dealings. Actual and potential breaches of the law can be identified and prevented. The implications of legislative changes on proposals can also be identified and Members and Officers advised accordingly. Furthermore, lawyers are given direct access to advise all committees.

Control of risk

A Strategic Risk Register sets out the key strategic risks that may affect the ability of the Council to carry out its corporate objectives. The Directors Management Team has the responsibility for reviewing and monitoring the action plan to control or reduce risk. The Standards and Audit Committee reviews risk management performance and the risk management strategy.

Senior Management structure

In October 2010, the Corporate Management Committee approved a new senior management structure for the Council. The current structure was unsustainable given the financial constraints which had been and were being imposed upon the Council. Therefore, the Council decided to operate with two Directors, rather than four, which was a structure adopted by some other Councils of a similar size to Runnymede. The new structure was in line with the policies agreed by Members over the past twelve months, which were principally that front line services would be protected, and that wherever possible, compulsory redundancies would be avoided. It was agreed to delete the posts of Director of Administration and Leisure and Director of Finance. Without increasing the remaining establishment, two new posts were created of Corporate Head of Governance and Assets and Corporate Head of Finance, but would be graded at a slightly lower level than Directors. The changes took effect on 1 April 2011. The Committee noted the challenges that would be encountered in making the restructuring of the Council work effectively and, in particular, the risks arising from establishing new ways of working, covering the workload, allocating tasks and developing Officers to manage the change.

Chief Financial Officer

The post of Director of Finance was deleted on 1 April 2011. The Director of Finance was a full member of the Corporate Management Team. A new post of Corporate Head of Finance was created from 1 April 2011 to take on the Section 151 Officer (the chief financial officer) responsibilities, but the post is not at full Director level. In this respect, these new financial management arrangements do not fully conform to the governance requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government (2010)*. However, the Council has adopted alternative arrangements to ensure that the Corporate Head of Finance meets his chief financial officer responsibilities. He attends key meetings where significant financial issues are discussed, including the Corporate Management Team Meetings and the Standards and Audit Committee. He also has regular governance meetings with the Chief Executive and Monitoring Officer and reports directly and has access to the Chief Executive at all times.

Monitoring Officer

The role of Monitoring Officer was held by the Director of Administration and Leisure. This post was deleted on 1 April 2011. The Director of Administration and Leisure was a full member of the Corporate Management Team. From 1 April 2011, the role of Monitoring Officer became the responsibility of the new post of Corporate Head of Governance and Assets. This post is not at full Director level. However, the Council has adopted arrangements to ensure that the Corporate Head of Governance and Assets is able to effectively carry out his Monitoring Officer responsibilities. He attends key meetings where significant issues are discussed, including the Corporate Management Team Meetings and at any Committee. He also has regular governance meetings with the Chief Executive and reports directly and has access to the Chief Executive at all times.

Financial management and controls

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management

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supervision, and a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system. The system includes:

- Comprehensive budgeting systems;
- Clearly defined capital expenditure guidelines;
- Named Budget Managers who have the responsibility for delivering services within the approved budget;
- Setting targets to measure financial and other performance;
- Periodic and annual financial reports comparing financial performance against forecasts;
- Formal project management disciplines with regular reporting mechanisms to the Directors Management Team and a report on completion of each project to sponsoring service committees; and
- A detailed annual internal audit plan with priorities and an inspection regime reflecting the risk assessment of the service.

The Council has also adopted a Procurement Strategy that aims to promote best practice and ensures that the procurement of goods and services achieves value for money.

Audit Committee and the internal audit function

The Constitution sets out the role and function of the Standards and Audit Committee. The Council has an Internal Audit Section that reports to the Chief Executive from 1 April 2011 (up to 31 March 2011, to the Director of Finance). All audit reports produced by the Internal Audit Section are copied to the Chief Executive, Corporate Head of Finance, Monitoring Officer and the external auditor. The Chief Internal Auditor reports on the plans and progress of the internal audit function directly to the Standards and Audit Committee. The Standards and Audit Committee review all recommendations made from internal audits and the extent to which compliance has been achieved.

Ensuring compliance with established policies, procedures, laws and regulations

Directors are ultimately responsible to the Council for ensuring compliance with established policies, procedures, laws and regulations. The roles of the Head of Paid Service, the Monitoring Officer, and the Section 151 Officer are set out in legislation and reflected in the Constitution of the Council. The Council's Legal Section reviews all reports to service committees to ensure propriety and to advise on the impact of legislation. This includes a review of forthcoming legislation likely to impact on Runnymede.

Arrangements for whistle-blowing and receiving complaints

The Constitution includes an anti-fraud and corruption policy including a whistle-blowing policy. Runnymede Borough Council has an established complaints policy and procedures. These arrangements are publicised on the Runnymede Borough Council web site and in our "How to make a complaint against the Council" leaflet. The Standards and Audit Committee receive reports on matters being investigated by the Local Government Ombudsman and on any complaints against Members.

Development of Members and Senior Officers

The Council has a training policy for all Members and staff. Training needs are identified specifically at the time of staff appraisals and more generally as needs become apparent. A budget has been established that is sufficient to meet the training needs identified.

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Consultation strategy

Listening to and understanding the views of residents, service users, business people, visitors and staff, is important to Runnymede Borough Council. The Consultation Strategy provides guidance to Members and staff in all matters relating to internal and external consultation. There is also a publicity and media handling protocol that sets out procedures for handling communications with the news media.

REVIEW OF EFFECTIVENESS

Runnymede Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance for the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

Role of Full Council

Full Council makes all significant financial and strategic decisions. In 2010/11 these have included such matters as:

- Approving the annual review of the Constitution (in April 2011)
- Amending the Equality Policy
- Setting the Annual Budget and level of Council Tax;
- Medium-term (5-year) financial forecast;
- Setting the treasury management strategy and prudential indicators;
- Revisions and adoption of service strategies and plans;

Policy Committees

The Council conducts its formal business through four policy and three regulatory committees that operate under clear rules set out in the Council's Constitution. Members of the Council have been regularly and fully briefed on all significant financial and strategic decisions. These include such matters as:

- Annual report on financial results and the Statement of Accounts;
- Government grant settlements;
- Capital forecasts and out-turn reports;
- Monitoring of the revenue budget;
- Progress on net revenue reduction targets;
- Impact of major capital schemes;
- Legislation affecting local government;
- Major IT system acquisitions;
- Revision of fees and charges;
- Service plans and indicators of performance;
- Treasury management and investment performance;
- Use of delegated powers.

The agendas and minutes of these committees are public documents and are available to view in local libraries and on the Council's website at www.runnymede.gov.uk.

The Standards and Audit Committee

Summary reports in respect of completed internal audit reviews are presented to the Standards and Audit Committee on a regular basis. In 2010/11 the Committee also considered the arrangements for

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risk management and a review of the arrangements for internal control (including the preparation of this Statement), in addition to its role of promoting and maintaining high standards of conduct by Councilors and co-opted members.

Overview and Scrutiny Select Committee

The Overview and Scrutiny Select Committee carries out the overview and scrutiny functions conferred by regulations under Section 32 of the Local Government Act 2000. The Committee may review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In exceptional cases it may "call in" a Committee decision for further consideration before it is implemented. The Committee makes reports and recommendations to the Full Council and any Committee as it sees fit. The Committee prepares an Annual Report on their work programme for the Full Council.

Internal audit and external audit

The role of the internal audit function is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of operations by advising and commenting on how risks are being managed, and to review arrangements for the security of the Council's assets. The Internal Audit Section contributes to the maintenance of effective corporate governance by:

- Providing assistance in the development of internal financial controls
- Ensuring that all significant business systems are subject to appropriate financial control, through targeted audit coverage using an appropriate risk based approach

Internal audit also provides an independent and objective opinion to the organisation on the degree to which internal controls support and promote the achievement of the organisation's objectives. The operational and management arrangements for internal audit are as follows:

- The Standards and Audit Committee reviews the audit coverage undertaken during the previous year and the audit plan for the forthcoming year;
- The Standards and Audit Committee reviews the recommendations made in internal audit reports and progress made in their implementation;
- Internal Auditors conduct their work in accordance with professional standards set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice and the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Audit;
- The Chief Internal Auditor has access to all senior managers and internal auditors have access to all records held by the Council if necessary;
- The work of internal audit is based on an evaluation of risk; and
- Internal Audit produces an annual report that provides an opinion on the overall control and risk environment and reports on significant findings in the year.

A report on internal audit coverage in 2010/11 was presented to the Standards and Audit Committee on 7 June 2011. The report included progress by senior managers in adopting recommendations from internal audit reports issued in 2010/11, and identified those recommendations that had not yet been implemented.

The responsibility for management of the internal audit function passed from the Director of Finance to the Chief Executive on 1 April 2011. In order that this arrangement allows the Corporate Head of Finance to comply with the CIPFA Statements on the *Role of the chief financial officer in local government* in respect of his Section 151 Officer responsibilities, he is consulted by the Chief Executive and Chief Internal Auditor on the resources, plan and effectiveness of the internal audit function.

Runnymede Borough Council's external auditor (KPMG) operates at a higher, strategic level focusing on financial reporting risk and corporate governance, and places reliance on internal audit to perform the audits of key systems which include substantive testing of systems and transactions. Work completed by internal audit and utilised by the external auditors in respect of fundamental systems has been a combination of detailed system reviews and quality management reviews of key controls.

Our external auditor submitted to the Council his Annual Governance Report 2009/10 in September

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2010 and Annual Audit Letter for 2009/10 in December 2010. These reports disclosed no significant problems for the Council to address, and are published on our website (www.runnymede.gov.uk) and on the Audit Commission website.

At operational level, recommendations from internal audit reviews are discussed and agreed with departmental management. At a strategic level, summary reports in respect of completed internal audit reviews are presented to the Standards and Audit Committee.

Local authorities are also required to review the effectiveness of their system of internal audit once a year and present the findings to a committee, or full Council, as part of the consideration of the system of internal control. The Standards and Audit Committee duly considered the results of this review on 29 September 2010.

Other explicit review and assurance mechanisms.

A corporate compliance and review guidance mechanism requires Directors, Divisional Heads and Service Managers to be explicitly responsible for:

- Reviews of plans and procedures;
- Ensuring that process reviews demonstrate continuous improvement;
- Implementing agreed actions from internal audit reports;
- Ensuring that staff personal development programmes are relevant to service delivery;
- Monitoring Service Plan targets and budgets and report performance and variations.

Internal audit investigations provide scrutiny of the required actions and report on instances of non-compliance.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Standards and Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

SIGNIFICANT GOVERNANCE ISSUES

Where weaknesses in controls have been identified the Council have taken action to strengthen controls in these areas. No significant weaknesses in internal control have been identified.

The need to achieve improvements in the following areas to further enhance our governance arrangements has been identified:

- Risk Management
- Partnership Working
- Business Continuity Planning

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. An action plan that addresses these issues follows this report. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Councillor P Roberts
Leader of the Council
13 December 2011



Mr. P Turrell
Chief Executive
13 December 2011

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Action Plan

Item	Issue	Actions taken	Further actions required	Timescale
1.	<p><u>Risk Management</u></p> <p>Develop a strong and embedded approach to identifying and managing risk throughout the Council.</p>	<p>The annual risk refresh exercise was carried out in July 2010 and the outcome was reported to the Standards and Audit Committee in September 2010. The Committee approved a revised Risk Management Strategy. Action plans are developed for each cluster of risk. The Directors Management Team is charged with the responsibility for reviewing and monitoring the plan.</p> <p>Risk management is included as one of the "Core Requirements for Managers" and performance will be formally reviewed as part of the staff Performance Development Scheme.</p>	<p>1. A further risk refresh exercise will be carried out in 2011 and the findings will be reported to the Standards and Audit Committee in September 2011.</p> <p>2. Service level risks will be fed into the Committee Service level plans.</p>	<p>1. September 2011</p> <p>2. Continuous process.</p>
2.	<p><u>Partnership Working</u></p> <p>There is a growing pressure for the Council to deliver services and policy objectives in partnership with a wide range of organisations from the public, private and voluntary sectors.</p> <p>There is a risk that local authorities may enter into partnerships without due regard to controls, financial and operational risks, and robust governance procedures.</p>	<p>The Council's internal control framework deals with aspects of joint working in a comprehensive way e.g. contract standing orders set out the arrangements to follow for contractual arrangements, service level agreements are established with organisations receiving annual revenue grants.</p> <p>The Best Value Service Review of Partnership Working was reported to the Corporate Management Committee in June 2006.</p> <p>The Council is seeking to develop its ability to work collaboratively through participation in the Surrey First initiative. This is a project designed to explore the opportunities for the various local authorities in Surrey to achieve more effective and efficient service delivery through a programme of shared services. In April 2010, the Corporate Management Committee received a report on governance arrangements in respect of the Surrey First initiative and approved the establishment of a joint body with other Surrey Authorities to progress the "Surrey First" initiative. The Joint Committee is at an early stage of development and, given the potential significance of this joint-working initiative in terms of delivery of services and functions, it is too soon to remove this area of governance risk.</p>	<p>1. The improvement plan for the Best Value Review of Partnership Working set out a number of actions. These actions need to be reviewed in the light of the Surrey First initiative.</p> <p>2. Reporting framework for the Joint Committee to be developed.</p>	<p>1. September 2011.</p> <p>2. Continuous process.</p>

ANNUAL GOVERNANCE STATEMENT 2010/11

Item	Issue	Actions taken	Further actions required	Timescale
3.	<p><u>Business Continuity Planning</u></p> <p>A business continuity plan is a series of arrangements to ensure that standards of service are maintained during a period of disruption. There is concern that existing plans are not regularly updated, and that there are gaps in the planning process. The greatest risk is an incident that leaves all or a substantial part of the Civic Centre unusable for a period of time.</p>	<p>There are a number of plans in place (e.g. disaster recovery for IT), but these have not been formally reviewed for some time. In particular, a review of business continuity planning had not taken place since the move to the new Civic Centre.</p> <p>The role of the post of Emergency Planning Officer (shared with Spelthorne) is to prepare the organisation to respond to an external emergency and to develop business continuity planning. Work has commenced on this task in 2010.</p> <p>During 2011, each service and departmental plan will feed into the business continuity plan using a corporate template that requires Departments to identify service areas, assess the impact of a disruption event, and identify the key recovery tasks. A corporate business continuity group, chaired by the Director of Technical Services, had been established to assess the response to critical risks.</p>	<p>1. Service and departments are feeding into the corporate plan using a corporate template that requires departments to identify service areas, assess the impact of a disruption event, and identify the key recovery tasks.</p> <p>2. The business continuity plan will include an action plan in the event of severe disruption in the new Civic Centre.</p> <p>3. Need to consider whether a report to Committee is required once plans are reviewed.</p>	<p>June 2011</p> <p>September 2011</p> <p>September 2011</p>

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MEMBERS' ALLOWANCES

The Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 2003 No 1021) as amended which came into force on 1 January 2004 require the Council to report the total payments made each year to individual Councillors and Co-optees under the Members' Allowance Scheme.

ALLOWANCES PAID TO MEMBERS - Financial Year 2010/2011

Member's Name	Basic Allowance	Special Allowance	Dependents' Carers' Allowance	Travel Allowance	Co-optees' Allowance	Total
	£	£	£		£	£
Mr A Alderson	2,334.96	1,302.35		126.00		3,763.31
Mr JR Ashmore	2,334.96	1,596.39		123.20		4,054.55
Mrs FJ Barden	2,334.96	1,653.00		31.20		4,019.16
Mr J Broadhead	2,334.96	1,361.04		20.80		3,716.80
Mrs P Broadhead	2,334.96	1,167.96		0.00		3,502.92
Mr MJ Brown	2,334.96	2,334.96		148.21		4,818.13
Mr H Butterfield	2,334.96	0.00		33.60		2,368.56
Mr C Chapman	2,334.96	1,167.96		50.96		3,553.88
Mr DA Cotty	2,334.96	2,529.00		250.85		5,114.81
Mr AJ Davis	251.07	0.00		0.00		251.07
Mrs R Denby	2,334.96	254.31		0.00		2,589.27
Mr R Edis	2,334.96	182.94		56.00		2,573.90
Mr JM Edwards	2,334.96	2,529.00		0.00		4,863.96
Mr P Francis	2,334.96	0.00		31.20		2,366.16
Mr JR Furey	2,334.96	8,366.04		70.40		10,771.40
Mrs CE Gant	2,334.96	0.00		0.00		2,334.96
Mrs E Gill	2,334.96	1,361.04		88.00		3,784.00
Mrs L Gillham	2,334.96	875.88		114.10		3,324.94
Mr D Hamilton	2,334.96	156.98		0.00		2,491.94
Mrs M Harnden	2,334.96	0.00		16.00		2,350.96
Miss MN Heath	2,334.96	156.98		37.80		2,529.74
Mr RN Jones	2,334.96	584.04		30.40		2,949.40
Mrs G Kingerley	2,334.96	1,810.75		43.20		4,188.91
Mr C Knight	2,334.96	1,361.04		0.00		3,696.00
Mr M Kusneraitis	2,334.96	1,361.04		142.80		3,838.80
Mrs Y Lay	2,334.96	1,361.04		88.40		3,784.40
Mr S Mackay	2,083.89	0.00		8.80		2,092.69
Mr HW Meares	2,334.96	3,696.00		268.80		6,299.76
Mr AM Moore	2,334.96	0.00		63.36		2,398.32
Mr CJ Norman	2,334.96	0.00		0.00		2,334.96
Mr DW Parr	2,334.96	3,304.08		51.20		5,690.24
Mr L Pouyanne	2,334.96	0.00		25.60		2,360.56
Mrs M Roberts	2,334.96	0.00		28.80		2,363.76
Mr P Roberts	2,334.96	4,435.42		151.20		6,921.58
Mr P Sohi	2,083.89	0.00		64.00		2,147.89
Mrs C Spurling	0.00	0.00		0.00	291.00	291.00
Mr N Stewert	2,334.96	0.00		85.76		2,420.72
Mr P Taylor	2,334.96	1,461.99		108.00		3,904.95
Mr AP Tollett	2,334.96	0.00		15.60		2,350.56
Mr PB Tuley	2,334.96	2,021.12		225.25		4,581.33
Mr S Tully	0.00	0.00		28.80	1,070.04	1,098.84
Mr PJ Waddell	2,334.96	976.36		41.60		3,352.92
Ms G Warner	2,334.96	0.00		129.60		2,464.56
Mr JJ Wilson	2,334.96	2,529.00		242.00		5,105.96
Mr GB Woodger	2,334.96	4,086.00		0.00		6,420.96
	97,817.25	55,983.71	0.00	3,041.49	1,361.04	158,203.49