



GUILDFORD
BOROUGH

Guildford Borough Council

Statement of Accounts 2012-13

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

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

Opinion on the Authority financial statements

We have audited the financial statements of Guildford Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Guildford Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. 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 Guildford Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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.

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Guildford Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Christian Heeger, Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Fleming Way
Manor Royal
Crawley
RH10 9GT

26 September 2013

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

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

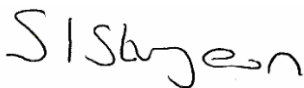
In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The chief financial officer has also:

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

I certify that the Statement of Accounts, which replaces the unaudited financial statements that I certified on 28 June 1013, presents a true and fair view of the financial position of Guildford Borough Council at 31st March 2013 and of its income and expenditure for the year ended 31 March 2013.



Sue Sturgeon, CPFA
Chief Financial Officer

25 September 2013

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

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

I have pleasure in presenting the Council's Statement of Accounts for the financial year 2012-13. The Council has continued to maintain its focus on robust monitoring of the budget and identification of efficiency savings for the future. We made a decision to increase our investment property portfolio and that is one example of how we are trying to future proof the budget so that it is less susceptible to the expected reductions in government grant.

Local Authorities are required to prepare their accounts in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). International Financial Reporting Standards (IFRS) form the basis for the Code, which has been developed by the Local Authority Accounting Code Board comprising members from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority of Scotland Accounts Advisory Committee (LASAAC), under the oversight of the Financial Reporting Advisory Board (FRAB). The Code constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

The complete set of financial statements is set out on the following pages. The Code prescribes the order of presentation of the financial statements and the Statement of Accounting Policies (note 1 to the accounts) supports the accounts by explaining the policies used in their preparation. In summary, the financial statements comprise the:

- Movement in Reserves statement: showing the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that we can use to finance expenditure or reduce local taxation) and other reserves. This statement starts with the surplus or deficit on provision of services calculated in accordance with generally accepted accounting practice and shows the adjustments to the accounts made under statutory regulations and also the transfers we choose to make to or from earmarked reserves
- Comprehensive Income and Expenditure Statement: showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This statement provides the detail behind the surplus or deficit on provision of services figure included in the Movement in Reserves statement
- Balance Sheet: showing the value of the Council's assets and liabilities at 31 March 2013. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council
- Cash Flow Statement: showing the changes in the amount of cash and cash equivalents during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities
- notes to the above statements: giving a summary of significant accounting policies and other explanatory information
- Housing Revenue Account Income and Expenditure statement: covering income and expenditure relating to the provision of council housing in accordance with Part 6 of the Local Government and Housing Act 1989. The Housing Revenue Account is ringfenced from the rest of the General Fund. Its primary purpose is to ensure that the expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants so that rents cannot be subsidised from council tax, or vice versa
- notes to the Housing Revenue Account: giving explanatory information to the HRA Income and Expenditure statement
- Collection Fund revenue account: showing the transactions of the Council as a billing authority in relation to non-domestic rates and council tax. The Fund shows the way in which these

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

have been distributed to local authorities and the Government on whose behalf Guildford Borough Council collects the amounts due

- notes to the Collection Fund: giving explanatory information to the Collection Fund revenue account

Revenue Budget - General Fund

The net budget requirement for the year 2012-13 was set in February of 2012 at £14,065,550 a decrease of 4.9 per cent on the previous year. The net budget requirement is the amount the Council expects to spend after allowing for income from sources such as direct grants, fees, charges and rents but excludes income from Government formula grant and adjustments relating to the collection fund balance.

The Council receives formula grant from the government to help towards the cost of delivering services. The amount for 2012-13 (excluding that relating to the 2011-12 Council Tax freeze grant) was 12.6 per cent (£827,000) lower than the previous year. This followed a 15.2 per cent (£1.17 million) reduction in 2011-12 and inevitably put pressure on achieving a balanced budget.

The 2012-13 budget included additional expenditure of approximately £227,000 for events related to the Olympics and Her Majesty the Queen's Diamond Jubilee. We also included £223,000 for various service improvements. Guildford Borough Council, in common with many councils, is having to identify efficiency savings so that we can continue to provide quality services but still balance our budget. We have a challenging transformation programme aimed at delivering savings and as a result, the budget included efficiency savings of £2.6 million, of which we achieved 98 per cent.

The net budget figure above excludes the precept requirements of the Parish Councils, which was £1,283,382 (a reduction of 0.08 per cent).

The Borough Council's band D council tax was set at £144.05, the same as 2011-12. We therefore qualified for the 2012-13 Council Tax freeze grant from the Government.

Revenue Budget Outturn - General Fund

The Comprehensive Income and Expenditure Statement shows the total expenditure and income in the year for all services.

We monitored performance against the budget closely through the year with particular attention paid to our key services (Development Control, Industrial Estates, Investment Property, Leisure Management, Off Street Parking, Parks and Countryside and Refuse and Recycling), control of salaries and achievement of the efficiency savings included in the budget. Because of this strong financial management net expenditure at service unit level was £1.565 million lower than originally budgeted, after allowing for accounting adjustments and other items that do not impact on the level of council tax. This is around 1.7 per cent of the total relevant gross expenditure budgets.

The Final Accounts report to the Executive on 20 June 2013 gives a detailed analysis of the variances in service expenditure. The report is available on the Council's web site, www.guildford.gov.uk at [Final Accounts Report \(item 6\)](#).

The major items include:

- a reduction in salary and associated costs of around £969,000 due to the management of vacancies throughout the year, including posts held vacant pending service restructures, which has the benefit of keeping compulsory redundancies to a minimum. This figure includes approximately £120,000 underspend that happened because the pay award was lower than the allowance included in the budget

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

- we have made contributions to provisions of approximately £400,000 in respect of Housing Benefit grant that the Council may have to repay to the Government and approximately £55,000 in respect of on-going national litigation about the Land Charges service provided by many councils. Provisions are set up where we know we are likely to have to make a payment in the future, but are not certain of the amount or the timing
- net additional Housing Benefit grant income of approximately £183,000 which mainly relates to the recovery of benefits overpayments made in previous years
- additional income from recycling (£218,000, including a one-off receipt of £52,000) and off street parking (£128,000)
- additional income from rents, across the whole property portfolio, of around £107,000.

The Council receives investment income from our cash backed reserves. On average, we had around £81 million invested. Overall, net interest returns in the year were approximately £65,000 less than the anticipated £708,000.

In setting the 2012-13 budget a minimum revenue provision of £170,000 was assumed, based on the expected Capital Financing Requirement (CFR) at 31 March 2012. The actual CFR was £3.65 million, generating a minimum revenue provision of approximately £91,000 that is £79,000 less than budgeted.

Finally, we undertook a review of reserves and identified two that were no longer required (Car parks income equalisation and Credit crunch) and we changed the balance held on the Insurance reserve. This resulted in the return of approximately £393,000 to the revenue account, therefore increasing the overall surplus for the year.

Overall the net expenditure on the General Fund was lower than the original estimate to the value of £1.972 million. This has been utilised by the following contributions:

- £785,000 to the Invest to Save reserve which can be used to support future transformational change
- £60,000 to a Land Charges reserve because of ongoing national action by private property search companies that have contended that local authority search fees are incompatible with the Environmental Information Regulations 2004.
- £120,000 to a Legal Actions reserve to allow us to defend our decisions in court when we are subject to legal challenge
- approximately £1.007 million to the capital schemes reserve as the Council has a significant capital programme that is not fully financed; there is an underlying need to borrow that is currently estimated to be £32.45 million by 31 March 2018.

Reserves and Balances

We are not required to include a full list of reserves and balances in the Statement of Accounts; however, we included one in the Final Accounts report to the Executive on 20 June 2013. Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 7 to the accounts.

We have carried out a review of reserves and identified those that are no longer required or that we can transfer to other reserves set up for a similar purpose. These reserves, their balance and the action taken are set out overleaf.

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Reserve	Balance at 31.3.2013 (£000)	Action
Affordable Housing	78	Transfer to New Homes Bonus reserve (to be set up in year) and close
Car parks income equalisation	306	Transfer to revenue and close
Credit Crunch	62	Transfer to revenue and close
Housing and planning delivery grant	16	Transfer to New Homes Bonus reserve and close
Vehicle renewals	116	Finance vehicles bought in year and close

We have set up new reserves for:

- Parish Council concurrent functions grant aid; agreed by the Executive at its meeting on 8 November 2012. This reserve will receive any grant aid not required by Parish Councils in 2013-14 and will be available to fund emergency grant applications in future years.
- New homes bonus. This reserve will receive any new homes bonus grant not used in the year.
- Land charges litigation
- Legal actions

We transferred £102,000 from the Insurance reserve to a provision for the repayment of the first element of the scheme of arrangement clawback in relation to MMI limited¹.

We maintain a bad debt provision at a suitable level including sufficient provision to meet all likely non-collectable local taxation.

Council Tax and Uniform Business Rates

We maintained a high level of collection performance in the year. The council tax collectable debit for 2012-13 was approximately £88 million and 99.2 per cent had been collected by 31 March 2013. At the same time, 99.04 per cent of the collectable debit for non-domestic rates (£76.2 million) had been collected.

Housing Revenue Account (HRA)

2012-13 was the first year of new financial regime because the Government abolished the Housing Subsidy system from 1 April 2012.

The Accounting requirements for the Housing Revenue Account (HRA) have changed in the year, following the Government's reform of council housing finance and abolition of the Housing Subsidy system. The HRA Income and Expenditure Statement and accompanying notes explain the changes in more detail but in summary, they are:

- no Major Repairs Allowance was received or negative HRA subsidy paid

¹ In common with many Councils, MMI previously provided our insurance cover. The company is now in administration and the directors were trying to achieve a solvent run off. In 2012 the company lost a long running court case regarding liability for asbestos induced mesothelioma claims. Because of this, the company triggered a scheme of arrangement that means the Council will have to pay a levy based on claims payments. The initial levy has been set at 15 per cent

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

- depreciation is now a real cost to the HRA and is transferred to the Major Repairs reserve to be used to fund expenditure on HRA assets
- interest payable increased significantly, to £5.1 million, because of the debt taken on to fund the payment of £192,435,000 made to the Government on 28 March 2012
- the interest rate used in the calculation of interest receivable changed from 7 day LIBID to a rate we calculate based on the average return on investments in the year.

We reported the HRA outturn to the Executive on 20 June 2013 and the report is available on the Council's web site, www.guildford.gov.uk at [HRA Final Accounts Report \(item 7\)](#).

Overall, gross expenditure on services was 96 per cent of the budgeted level, whilst income receivable totalled 99.7 per cent of the budget. Net expenditure on services was £841,000 less than budgeted.

The income budget was prepared using the Government's guidance on rent increases of RPI plus 0.5 per cent. This resulted in an average rent increase of 6.1 per cent and average rents of £101.67 per week. The Government has an intention to converge rent levels of Registered Providers (RPs) and local authorities. The original target for convergence was 2011-12 but the Government has moved the convergence date to limit the overall level of rent increase. The use of this mechanism has enabled rent affordability to be maintained for tenants in the difficult economic climate. The current convergence date is 2015-16.

The General Fund has accounted for the costs and subsidy on rent rebates since April 2004, except for the element of cost that relates to previous years' average rents being above Government guideline levels. This cost remains in the HRA and was £86,000 for 2012-13.

Abolition of the subsidy system means that no negative subsidy was paid, and no Major Repairs Allowance received in 2012-13. The Council took on debt of £194 million in March 2012 and had estimated interest payments of £8.7 million in the 2012-13 budget, which was set before we knew the final debt amount and portfolio of loans. The actual interest paid in the year was approximately £3.7 million less than estimated.

Spend on responsive and planned maintenance was approximately £310,000 lower than estimated, mainly due to lower demand and increased investment in previous years. Employee related expenditure was £255,000 lower than estimated, mainly because of vacancies.

The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward a number of development opportunities. We intend to award new build contracts to the value of around £10 million during 2013-14 and with this in mind, we transferred £7.7 million to a new build reserve. We also transferred £2.5 million to the HRA reserve for future capital to supplement the depreciation charge, which we do not think is sufficient to finance the major investment programme on our existing stock as envisaged in the business plan.

We maintained the balance on the Housing Revenue Account at £2.5 million as at 31 March 2013.

The reserve held to fund future capital expenditure on the housing stock had a balance at 31 March 2013 of £18.3 million and the New Build reserve had a balance of £7.7 million.

Capital Expenditure

Capital expenditure in the year totalled £18 million. We used internal resources such as sales of assets, the HRA Major Repairs reserve, contributions from revenue and contributions from third parties to finance the expenditure. We did not finance £4.2 million of expenditure from our existing resources, resulting in a Capital Financing Requirement funded by internal borrowing.

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

This year the major areas of capital spend relating to housing were on council house modernisation and renovations (£6.7 million), housing improvement grants (£577,000), affordable housing projects (£338,000) and equity share property repurchases (£404,000).

Non-housing expenditure included new cremators (£684,000), equipment related to the design of our Garden Waste service (£500,000), final payment related to the G Live contract (£355,000) and repairs to the Guildhall roof (£321,000). We acquired the freehold of two properties for £4.17 million and £839,000. These acquisitions are part of an approved programme to increase our portfolio of investment property to increase rental income and therefore benefit the General Fund revenue account.

Internal sources of funds available at 31 March 2013 to meet future capital expenditure were:

- usable capital receipts £18.7 million (all housing related)
- General Fund capital programme reserve £2.7 million
- HRA future capital expenditure reserve £18.3 million
- HRA new build reserve £7.7 million

Treasury Management

Investments at 31 March 2013 totalled £68.5 million, which consists of £53.5 million deposits with duration remaining of less than one year and externally managed funds of £15.0 million.

Gross interest received in the year from investments was £770,531 against a budget of £813,440.

The Council internally borrowed £4.17 million for a property purchase but we did not take out any external loans in the year. The balance outstanding on our external loans at 31 March 2013 was £194.5 million.

The investment markets remained extremely challenging; the Bank of England held the base rate at 0.5 per cent and the Council continued its focus on preserving capital whilst optimising interest earnings. At the end of the year, we invested £5 million in the CCLA property fund, which we expect to return around six per cent in future years.

A full report on the Treasury Management activities of the Council can be found in a report to the Executive of 20 June 2013 which is also available on the Council's web site, www.guildford.gov.uk at [Treasury Management Annual Report \(item 11\)](#)

Pension liability

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

During 2010 the pension fund actuaries, Hymans Robertson, concluded a triennial review of the fund at 31 March 2010 and 2012-13 was the second year of implementation. The actuary recommended that a stabilisation model be implemented that maintained the Council's contribution rates and the same level over the three year period of 2011-12 to 2013-14.

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

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

The accounts, based on IAS 19, show a total pension fund liability of £63.2 million (£57.6 million in 2011-12) which has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. It is important to remember that pensions are long term assets and liabilities and the IAS 19 figures disclose the position at a point in time based on the actuary's financial assumptions.

The Government commissioned a review of public sector pensions by Lord Hutton of Furness which recommended significant changes to public pensions that are due to be implemented from April 2014. The actuaries will do the next triennial valuation based on information at 31 March 2013 and the results will also be implemented from April 2014.

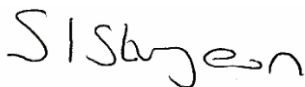
Conclusion

The Council has been able to maintain a high level of performance in the delivery of its services during 2012-13, and at the same time maintain its reserves and provisions to a level adequate to meet all known liabilities and invest in transformational change.

There are significant challenges for us in the future. The Government have changed the formula grant funding system to a Business Rates Retention scheme and abolished the national Council Tax benefit scheme, replacing it with locally determined Council Tax Support Schemes. Both of these changes took up a considerable amount of officer time during 2012-13 and the results affected the 2013-14 budget. There is a considerable amount of uncertainty about the financial effects of these changes, which will require careful monitoring in 2013-14.

The Government continues to reduce local authority funding as part of its austerity programme and we are starting to prepare for the inevitable changes to our revenue support grant. The broader welfare reform agenda is also likely to put pressure on Council services, particularly in the area of housing and homelessness.

The Council is well placed to meet these challenges and has a programme of transformational changes and fundamental service reviews in place to deliver savings for future years.



Sue Sturgeon, CPFA
Chief Financial Officer
28 June 2013

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (that is those that can be applied to finance expenditure or reduce local taxation) and other reserves. The surplus / (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase /decrease before transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 carried forward	3,748	18,947	1,900	16,628	19,246	-	129	60,598	560,683	621,281
Movement in Reserves during 2011-12										
Deficit on the provision of services	(6,148)	-	(193,192)	-	-	-	-	(199,340)	-	(199,340)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	3,925	3,925
Total Comprehensive Income and Expenditure	(6,148)	-	(193,192)	-	-	-	-	(199,340)	3,925	(195,415)
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,602	-	194,421	-	(444)	-	(99)	199,480	(199,480)	-
Net increase/(decrease) before transfers to earmarked reserves	(546)	-	1,229	-	(444)	-	(99)	140	(195,555)	(195,415)
Transfers to/from earmarked reserves (Note 7)	546	(546)	(629)	629	-	-	-	-	-	-
Increase / (decrease) in 2011-12	-	(546)	600	629	(444)	-	(99)	140	(195,555)	(195,415)
Balance at 31 March 2012 carried forward	3,748	18,401	2,500	17,257	18,802	-	30	60,738	365,128	425,866

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	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012 carried forward	3,748	18,401	2,500	17,257	18,802	-	30	60,738	365,128	425,866
Movement in Reserves during 2012-13										
Surplus/(deficit) on the provision of services	(4,530)	-	11,965	-	-	-	-	7,435	-	7,435
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(4,857)	(4,857)
Total Comprehensive Income and Expenditure	(4,530)	-	11,965	-	-	-	-	7,435	(4,857)	2,578
Adjustments between accounting basis & funding basis under regulations (Note 6)	3,839	-	(3,223)	-	(59)	-	75	632	(632)	-
Net increase/(decrease) before transfers to earmarked reserves	(691)	-	8,742	-	(59)	-	75	8,067	(5,489)	2,578
Transfers to/from earmarked reserves (Note 7)	691	(691)	(8,742)	8,742						
Increase /(decrease) in 2012-13	-	(691)	-	8,742	(59)	-	75	8,067	(5,489)	2,578
Balance at 31 March 2013 carried forward	3,748	17,710	2,500	25,999	18,743	-	105	68,805	359,639	428,444

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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

2011-12			2012-13			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,940	841	1,099		2,040	867	1,173
16,512	7,340	9,172		12,911	4,135	8,776
16,643	6,861	9,782		14,186	6,883	7,303
6,111	1,722	4,389		5,488	1,836	3,652
8,992	10,911	(1,919)		6,819	11,097	(4,278)
192,435	-	192,435				
33,930	32,740	1,190		13,557	30,099	(16,542)
45,434	43,877	1,557		47,747	45,394	2,353
3,107	1,580	1,527		2,400	1,129	1,271
4,815	757	4,058		4,236	785	3,451
(706)	-	(706)		194	-	194
329,213	106,629	222,584		109,578	102,225	7,353
			8			1,299
			9			1,750
			10			(17,837)
						(7,435)
			24			(167)
			24			(226)
			24			5,250
						4,857
						(2,578)

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

BALANCE SHEET

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) match the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, that is those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category 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 in the line called *Adjustments between accounting basis and funding basis under regulations*.

31 March 2012		Notes	31 March 2013
£000			£000
539,939	Property, Plant & Equipment	11	536,113
3,334	Heritage Assets	12	3,348
78,941	Investment Property	13	84,380
595	Intangible Assets	14	555
7,003	Long Term Investments	15	-
87	Long Term Debtors	15	85
629,899	Long Term Assets		624,481
17,065	Short Term Investments	15	48,184
-	Assets Held for Sale	20	3,009
471	Inventories	16	195
5,514	Short Term Debtors	18	7,420
40,210	Cash and Cash Equivalents	19	20,306
63,260	Current Assets		79,114
(270)	Short Term Borrowing	15	(354)
(15,272)	Short Term Creditors	21	(16,460)
(476)	Provisions	22	(1,054)
(16,018)	Current Liabilities		(17,868)
(194,275)	Long Term Borrowing	15	(194,045)
(57,000)	Other Long Term Liabilities	41	(63,238)
(251,275)	Long Term Liabilities		(257,283)
425,866	Net Assets		428,444
60,738	Usable Reserves	23	68,805
365,128	Unusable Reserves	24	359,639
425,866	Total Reserves		428,444

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

CASH FLOW STATEMENT

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

2011-12		2012-13
£000		£000
(199,340)	Net surplus /(deficit) on the provision of services	7,435
16,730	Adjustments for non-cash movements	14,946
(3,647)	Adjustments for items included in the net deficit that are investing and financing activities	(3,210)
<u>(186,257)</u>	Net cash flows from Operating Activities (Note 25)	<u>19,171</u>
17,652	Investing Activities (Note 26)	(38,506)
192,594	Financing Activities (Note 27)	(569)
<u>23,989</u>	Net increase/(decrease) in cash and cash equivalents	<u>(19,904)</u>
16,221	Cash and cash equivalents at the beginning of the reporting period	40,210
<u>40,210</u>	Cash and cash equivalents at the end of the reporting period (Note 19)	<u>20,306</u>

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012-13 financial year and its position at the year-end of 31 March 2013. The Accounts and Audit Regulations 2011 require the Council to prepare its annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 and the Service Reporting Code of Practice 2012-13, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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 payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash represents cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours for example call accounts. Cash equivalents are short-term, highly-liquid investments that are readily convertible to

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

known amounts of cash with insignificant risk of change in value, and include money market funds.

The Cash Flow Statement shows cash and cash equivalents net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. Exceptional Items

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits **Benefits Payable during Employment**

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

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

- the liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees
- liabilities are discounted to their value at current prices, using a discount rate of 4.5 per cent (based on the indicative rate of return on high quality corporate bond over a range of periods)
- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value using the following bases:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price

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- property – market value
- the change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions that relate to years of service earned in earlier years – debited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance 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 Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Deficit on 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 – charged to the Pensions Reserve
 - contributions paid to the Surrey County Council Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events after the Reporting Period

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

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

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

ix. Financial Instruments

A Financial Instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council. It can be a contractual obligation to deliver cash or financial assets to another entity and are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions.

They are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure lie in the Comprehensive Income and Expenditure Statement for interest payable and are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

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

The Council uses two types of financial asset:

- 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

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most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made a number of loans to staff to purchase a car. These loans are carried at cost on the basis that this is considered to be materially close to fair value. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or charged as appropriate to the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment line of the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

x. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

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

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

Where capital grants or contributions are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where a contribution has yet to be used to finance capital expenditure, it is posted to the Capital Contributions Unapplied reserve. Where a grant or contribution has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

xi. Heritage Assets

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

- Monuments, including Guildford Castle and Chilworth Gunpowder Mills

These assets are ruins for which it is not possible to obtain a current valuation.

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They are held on the balance sheet at historical cost and are not subject to depreciation as they have indefinite lives.

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

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

- various sculptures and pieces of artwork around the Borough

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

- the museum collection held at Guildford Museum

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

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

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. They are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts reserve.

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xiii. Inventories

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

xiv. Investment Property

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

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

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

xv. Jointly Controlled Operations and Jointly Controlled Assets

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

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

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xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

Property, Plant and Equipment (PPE) held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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lease, is also credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

Any surplus created by disposing of the asset is credited to the Comprehensive Income and Expenditure Statement. However, because statute does not permit any surplus on disposal to increase the General Fund Balance and for the full disposal proceeds to be treated as a capital receipt, any surplus is transferred from the General Fund Balance to the Capital Receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this amount is transferred from the General Fund Balance to the Deferred Capital Receipts reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset and at this point, the deferred capital receipts are transferred to the Capital Receipts reserve.

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

Operating Leases

Where the Council grants an operating lease for an item of PPE, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

xvii. Overheads and Support Services

The costs of overheads and support services are allocated in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012-13 (SeRCOP). The total absorption costing principle is used where the full cost of overheads and support services are allocated, with the exception of:

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

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

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xviii. Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

PPE assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of any future decommissioning costs that will be necessary such as dismantling an item or restoring a site upon which the asset it is located.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Comprehensive Income and Expenditure Statement and reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction are valued at historical cost (depreciated as appropriate)
- dwellings are valued at fair value which is determined by estimating the value of the dwelling for its existing use as a social housing dwelling
- all other assets are valued at "fair value" which is the estimated amount that would be paid for the asset in its existing use.

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

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

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

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

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

Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of:

- their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and
- their recoverable amount at the date of the decision not to sell.

When an asset is disposed of (or decommissioned), the carrying amount of the asset in

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the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are created when the Council has an obligation such as a legal claim against it that has arisen from a past event and it is probable that the Council will need to settle that obligation. In addition, it is necessary that the obligation can be reliably estimated. Provisions are charged as an expense to the appropriate service line in the

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Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are estimated at the balance sheet date, taking into account relevant risks and uncertainties. When payments are made to clear the obligation, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where necessary revised. If there is a need to increase the provision, the additional amount is charged to the relevant service in the Consolidated Income and Expenditure Account. If, however, the obligation is estimated or ultimately proves to be less than the value of the provision, the excess amount is credited to the relevant service in the Consolidated Income and Expenditure Account.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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 within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure

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Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii. VAT

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

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

For 2012-13 the accounting policy changes that need to be reported relate to:

IAS 1 Presentation of Financial Statements – Other Comprehensive Income (June 2011 Amendments)

From 1 April 2013 the Council must present the line items of amounts included in the CIES as Other Comprehensive Income and Expenditure into groups that will, and will not, be reclassified subsequently to the Surplus or Deficit on the Provision of Services. This standard only addresses presentation issues.

IAS12 Income taxes: Recovery of Underlying Assets (December 2010 Amendments)

This amendment clarifies the measurement of deferred taxation for investment properties. It is not considered that this change will affect the Council.

IAS 19 Employee Benefits (June 2011 Amendments)

The June 2011 amendments introduce new classes of components of defined benefit cost that the Council must recognise in the financial statements. These are the net interest on the net defined benefit liability, and re-measurements of the net defined benefit liability. This change in accounting policy is required from 1 April 2013, and the Actuary has calculated that the effect of this change on the CIES to 31 March 2013 will be an increase of £974,000.

IFRS 7 Financial Instruments Disclosures – Offsetting Financial Assets and Liabilities (December 2011 Amendments)

The amendments require the council to provide information that will enable users of the financial statements to evaluate the effect or potential effect of netting arrangements. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft. The cash and cash equivalents note provides a breakdown of this item.

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:

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

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debtor default.

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 at 31 March 2013 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PPE)	<p>Individual items of PPE are depreciated over estimated useful lives that are partly dependent upon assumptions about the level of repairs and maintenance that will take place.</p> <p>If the Council were not able to sustain its level of spending on the repair and maintenance of its assets in the long term the estimated useful life assigned to individual assets would need to be reduced.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>Depreciation costs do not affect the Council's overall financial position as they form part of the adjustment between accounting basis and funding basis under regulations.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5 per cent decrease in the discount rate assumption would result in an increase in the pension liability of £19.030 million. A one year increase in member life expectancy would result in an increase in the pension liability of £5.656 million. A 0.5 per cent increase in the salary increase rate would result in an increase in the pension liability of £4.871 million and a 0.5 per cent increase in the Pensions increase rate would result in an</p>

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		<p>increase in the pension liability of £13.940 million.</p> <p>During 2012-13, the Council's actuaries advised that the net pensions liability had increased by £6.238 million. This is principally due to falling real bond yields, partially offset by strong asset returns</p>
Debtors	<p>At 31 March 2013, the Council was owed approximately £9.8 million. A review of significant balances suggested that an allowance for doubtful debts of £2.4 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £980,000 to set aside as an allowance.</p>

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

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 25 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, 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 the following event, which took place after 31 March 2013, as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date.

On 1 April 2013, the Council assumed the liability for refunding business ratepayers who have successfully appealed against the rateable value of their properties on the rating list, including amounts that have been paid over to central government in previous years. The Council estimates that its share of the liability in respect of appeals outstanding at 31 March 2013 is £1,535,867.

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6. 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.

2012-13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charge for depreciation of non-current assets	5,388	5,313	-	-	-	(10,701)
Revaluation losses /(gains) on Property Plant and Equipment	1,257	(907)	-	-	-	(350)
Movements in the market value of Investment Properties	(432)	(20)	-	-	-	452
Amortisation of intangible assets	222	-	-	-	-	(222)
Revenue expenditure funded from capital under statute	1,550	-	-	-	-	(1,550)
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	254	997	-	-	-	(1,251)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision for the financing of capital investment (statutory and voluntary)	(91)	(18)	-	-	-	109
Capital expenditure charged against the General Fund and HRA balances	(4,406)	(1,451)	-	-	-	5,857

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2012-13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants						
Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,499)	-	-	-	1,499	-
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(1,424)	1,424
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	(49)	(1,662)	1,711	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,284)	-	-	1,284
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	486	-	(486)	-	-	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1	-	-	-	-	(1)
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation from the HRA	-	(5,313)	-	5,313	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(5,313)	-	5,313

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2012-13	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	5,055	330	-	-	-	(5,385)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,905)	(492)	-	-	-	4,397
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	8	-	-	-	-	(8)
Total adjustments	3,839	(3,223)	(59)	-	75	(632)

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

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2011-12 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Grants						
Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,109)	-	-	-	1,109	-
Application of grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(1,208)	1,208
Adjustments primarily involving the Capital Receipts						
Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,273)	(1,265)	2,538	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(2,063)	-	-	2,063
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	919	-	(919)	-	-	-
Adjustments involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(74)	-	-	-	-	74
Adjustments primarily involving the Major Repairs						
Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	(4,078)	-	4,078	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(4,078)	-	4,078

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2011-12 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Financial Instruments						
Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	4	-	-	-	(4)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	3,651	318	-	-	-	(3,969)
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,318)	(482)	-	-	-	4,800
Adjustments primarily involving the Collection Fund						
Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(44)	-	-	-	-	44
Total adjustments	5,602	194,421	(444)	-	(99)	(199,480)

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

7. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012-13.

	Balance at 31 March 2011 £000	Transfers In 2011-12 £000	Transfers Out 2011-12 £000	Balance at 31 March 2012 £000	Transfers In 2012-13 £000	Transfers Out 2012-13 £000	Balance at 31 March 2013 £000
General fund:							
Car Parks Income	421		115	306	-	306	-
Car Parks Maintenance	2,471	692	411	2,752	696	343	3,105
Insurance	919	243	29	1,133	-	154	979
Invest to Save	1,485	871	980	1,376	1,092	622	1,846
IT Renewals	993	339	215	1,117	271	189	1,199
LAGBI Grant	1,223	-	153	1,070	-	367	703
Capital Schemes	2,652	1,545	10	4,187	1,007	2,480	2,714
Park and Ride	1,650	-	-	1,650	-	-	1,650
Parking, Highways & Transportation	2,730	-	2,730	-	-	-	-
Pension	600	200	-	800	175	-	975
Other earmarked reserves	3,803	1,478	1,271	4,010	2,028	1,499	4,539
Total	18,947	5,368	5,914	18,401	5,269	5,960	17,710
HRA:							
Capital Programme	16,628	1,957	1,328	17,257	2,500	1,428	18,329
New Build	-	-	-	-	7,693	23	7,670
Total	16,628	1,957	1,328	17,257	10,193	1,451	25,999

8. OTHER OPERATING EXPENDITURE

2011-12 £000	2012-13 £000
1,284 Parish council precepts	1,283
919 Payments to the government Housing Capital Receipts Pool	486
(446) Gains on the disposal of non-current assets	(470)
1,757	1,299

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011-12 £000	2012-13 £000
143 Interest payable and similar charges	5,122
960 Pensions interest cost and expected return on pensions assets	1,744
(1,103) Interest receivable and similar income	(945)
Income and expenditure in relation to investment properties and (7,430) changes in their fair value	(4,171)
(7,430)	1,750

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10. TAXATION AND NON SPECIFIC GRANT INCOME

2011-12 £000	2012-13 £000
(9,574) Council tax income	(9,624)
(4,999) Non domestic rates	(5,810)
(1,889) Non-ringfenced government grants	(904)
<u>(1,109) Capital grants and contributions</u>	<u>(1,499)</u>
(17,571)	(17,837)

11. PROPERTY, PLANT AND EQUIPMENT

Movement in 2012-13:

	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2012	360,309	177,681	18,995	4,111	4,542	845	664	567,147
Additions	7,131	1,175	1,476	707	117	-	686	11,292
Disposals	(1,009)	(144)	(375)	(94)	-	-	-	(1,622)
Revaluations	(2,961)	(2,844)	-	-	-	65	-	(5,740)
Transfers	-	(1,848)	-	246	(258)	(110)	(1,085)	(3,055)
At 31 March 2013	363,470	174,020	20,096	4,970	4,401	800	265	568,022
Accumulated Depreciation and Impairment								
At 1 April 2012	5,051	6,420	12,099	3,638	-	-	-	27,208
Charge for 2012-13	5,236	3,774	1,606	85	-	-	-	10,701
Disposals	(12)	-	(359)	-	-	-	-	(371)
Revaluations	(5,182)	(376)	-	-	-	-	-	(5,558)
Transfers	-	(71)	-	-	-	-	-	(71)
At 31 March 2013	5,093	9,747	13,346	3,723	-	-	-	31,909
Net book Value								
As at 31 March 2013	358,377	164,273	6,750	1,247	4,401	800	265	536,113
as at 31 March 2012	355,258	171,261	6,896	473	4,542	845	664	539,939

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

Comparative movements in 2011-12

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

Depreciation

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

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

Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013-14 and future years budgeted to cost £132,000. Similar commitments at 31 March 2012 were £649,000.

The major commitment of £85,000 is replacement of the cremators at the crematorium.

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Revaluations

The freehold and leasehold properties, which comprise the Council's property portfolio, are revalued on the basis of a five-year rolling programme, which began in 1995-96. Accordingly a proportion of these properties have been revalued as at April 2012 by the Valuation Office Agency and Wilks Head and Eve, chartered surveyors, on the under mentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The assets were inspected between April 2012 and March 2013.

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

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

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

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	-	20,096	-	20,096
Valued at fair value as at:					
31-Mar-13	363,470	12,921	-	-	376,391
31-Mar-12	-	34,994	-	800	35,794
31-Mar-11	-	93,939	-	-	93,939
31-Mar-10	-	32,166	-	-	32,166
Total Cost or Valuation	363,470	174,020	20,096	800	558,386

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12. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council

	Monuments £000	Civic Regalia etc £000	Art Collection £000	Total Assets £000
Cost or Valuation				
At 1 April 2011	885	1,759	635	3,279
Additions	4	-	51	55
At 31 March 2012	889	1,759	686	3,334
Cost or Valuation				
At 1 April 2012	889	1,759	686	3,334
Additions	3	-	11	14
At 31 March 2013	892	1,759	697	3,348

The additions in 2012-13 relate to the provision of public art works and sculpture in the Borough. In addition:

- a bronze boar figurine was excavated by the Surrey Archaeological Society and donated to the Council by the landowner
- drawings by Boris Fijalkowski of the north side of Guildford High Street were donated to the Council by the Friends of Guildford House
- a bronze-age gold penannular ring was donated to the Council via the Portable Antiquities scheme
- a Michael Angelo Rooker picture of St Catherine's Chapel was purchased for £1,500.

There have been no disposals of heritage assets in the last five years, and there were no costs of acquisition of heritage assets in 2010-11. It is not practicable to provide a summary of other transactions for any period before 1 April 2010.

Civic Regalia

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

Art Collection

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

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

The civic regalia and art collection were valued as at March 2012 by Bonhams 1793 Limited, international auctioneers and valuers. The basis of the valuation was for

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

insurance purposes and was based on estimated price of the items if purchased on retail premises.

Museum Collections

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

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

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

13. INVESTMENT PROPERTY

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

2011-12		2012-13
£000		£000
4,974	Rental income from investment property	4,905
	Direct operating expenses arising from	
540	investment property	880
<u>4,434</u>	Net gain	<u>4,025</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 for repairs, maintenance or enhancement.

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

2011-12		2012-13
£000		£000
76,427	Balance at start of the year	78,941
702	Additions	5,012
(1,038)	Disposals	-
2,850	Net gains from fair value adjustments	452
-	Transfers	(25)
<u>78,941</u>	Balance at end of the year	<u>84,380</u>

The additions in 2012-13 relate to the purchase of the long leasehold interest in Leys House and Midleton House from the Council's tenants in order to enhance the Council's investment portfolio. The Council is the freeholder of both properties.

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14. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets only include purchased licences, as the Council does not have any significant internally generated software.

We give all software a finite useful life of 5 years based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis. £215,898 of the amortisation of £222,373 charged to revenue in 2012-13 was charged to the IT renewals revenue account where it offsets the income to the account, which is based on repayment of the expenditure incurred on the software. The remainder of the amortisation was charged to the building maintenance cost centre.

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

2011-12		2012-13
£000		£000
	Balance at start of the year:	
2,529	Gross carrying amount	2,699
(1,792)	Accumulated amortisation	(2,104)
<u>737</u>	Net carrying amount at start of year	<u>595</u>
170	Purchases	182
(312)	Amortisation for the period	(222)
<u>595</u>	Net carrying amount at end of year	<u>555</u>
	Comprising:	
2,699	Gross carrying amount	2,881
(2,104)	Accumulated amortisation	(2,326)

15. FINANCIAL INSTRUMENTS

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

Financial instruments are both financial assets and financial liabilities.

Financial Liabilities

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

The Council's loan portfolio at the end of the year consisted of Public Works Loan Board (PWLB) debt.

Under the 2012-13 Code of Practice, the borrowing is measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can affect the charge made to the Comprehensive Income and Expenditure Statement.

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Financial Assets

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

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

- loans and receivables
- available for sale
- fair value through profit and loss
- unquoted equity investments held at cost because it is impracticable to determine fair value.

Loans and Receivables

These comprise of:

- cash
- bank accounts
- fixed term deposits with banks and building societies
- trade receivables for goods and services delivered.

The Council's portfolio of investments consists of fixed term deposits, money market funds, call accounts and supranational/government bonds and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment.

Available for sale financial assets (those that are quoted in an active market)

These comprise of:

- money market funds and other collective investment schemes
- certificates of deposit issued by banks and building societies
- treasury bills and gilts issued by the UK Government
- bonds issued by multilateral development banks.

The Council's investments consisted of Money market funds, supranational/government bonds, CCLA property fund and pooled funds, such as Payden Sterling Reserve Fund and Investec.

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

Fair value through profit and loss

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

Unquoted equity investments

The Council does not have any investments required to be measured under this category.

The portion of long term liabilities and investments due to be settled within 12 months of

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

the balance sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'.

Transaction Costs

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these costs are considered to be immaterial, they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council adopted this latter approach in 2012-13.

Financial Instruments - balances

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

	Long-term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Loans and Receivables				
- Principal sum at amortised cost	-	2,000	28,001	4,001
- Accrued interest	-	-	110	-
Available-for-sale investments				
- Principal sum at amortised cost	-	5,003	20,093	13,064
- Fair value adjustments	-	-	(20)	-
Total Investments	-	7,003	48,184	17,065
Loans and Receivables				
- Cash	-	-	7	702
- Cash equivalents at amortised cost	-	-	20,485	16,384
- Accrued interest	-	-	8	-
Available-for-sale investments				
- Cash equivalents at amortised cost	-	-	36	23,124
Total Cash and Cash Equivalents	-	-	20,536	40,210
Trade receivables (Debtors) carried at contract amount	85	87	4,613	3,922
TOTAL FINANCIAL ASSETS	85	7,090	73,333	61,197
Loans at amortised cost				
- Principal sum borrowed	194,045	194,275	230	230
- Accrued interest	0	0	88	0
- Internal charities	0	0	36	40
Total Borrowing	194,045	194,275	354	270
Loans at amortised cost				
- Bank overdraft	-	-	230	-
Total Cash Overdrawn	-	-	230	-
Trade payables (Creditors) carried at contract amount	-	-	3,174	5,377
TOTAL FINANCIAL LIABILITIES	194,045	194,275	3,758	5,647

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Gains and Losses

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

2011-12				2012-13				
Financial Liabilities (at amortised cost) £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000		Financial Liabilities (at amortised cost) £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
143	-	-	143	Interest expense	5,122	-	-	5,122
143	-	-	143	Total expense in Deficit on the Provision of Services	5,122	-	-	5,122
-	(586)	(479)	(1,065)	Interest income	-	(533)	(234)	(767)
-	(586)	(479)	(1,065)	Total income in Deficit on the Provision of Services	-	(533)	(234)	(767)
-	-	205	205	Losses / (gains) on revaluation	-	-	(226)	(226)
-	-	205	205	(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(226)	(226)
143	(586)	(274)	(717)	Net gain for the year	5,122	(533)	(460)	4,129

Fair Values of Assets and Liabilities

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

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

Carrying value is defined as the value according to its balance sheet balance.

The Council's long-term loans are carried in the balance sheet at amortised cost.

The Council's debt outstanding at 31 March 2013 consists of PWLB Loans. The PWLB has provided the Council with Fair Value amounts in relation to its portfolio and has assessed the Fair Values by calculating the amount the Council would have had to pay to extinguish the loans on the balance sheet date.

Investments consist of loans and receivables, available for sale and fair value through profit and loss. Loans and receivables are carried on the balance sheet at amortised cost. The other two categories of investment are carried at fair value and are based on public price quotations where there is an active market for the instrument.

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

The portion of debt and investments due to be settled within 12 months of the balance sheet date are presented in the balance sheet under short-term liabilities or short-term

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investments.

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

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

The following table shows those financial assets and liabilities where the carrying value and fair values are different.

	Carrying Amount 31 March 2012 £000	Fair Value 31 March 2012 £000	Carrying Amount 31 March 2013 £000	Fair Value 31 March 2013 £000
Financial Assets				
Long term investments	7,003	7,001	-	-
	7,003	7,001	-	-
Financial Liabilities				
Short term borrowing	230	301	230	261
Long term borrowing	194,275	200,417	194,045	207,933
	194,505	200,718	194,275	208,194

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

16. INVENTORIES

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

17. CONSTRUCTION CONTRACTS

The Council has not entered into any construction contracts.

18. SHORT TERM DEBTORS

31 March 2012 £000		31 March 2013 £000
808	Central government bodies	441
632	Other local authorities	2,703
4,074	Other entities and individuals	4,276
5,514	Total	7,420

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19. CASH AND CASH EQUIVALENTS

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

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

The net balance of Cash and Cash Equivalents consists of the following elements:

31 March 2012		31 March 2013
£000		£000
<u>5</u>	Cash held by the Council	<u>7</u>
697	Bank current accounts	(230)
39,508	Callable deposits	<u>20,529</u>
40,210	Total Cash and Cash Equivalents	20,306

20. ASSETS HELD FOR SALE

2011-12		2012-13
£000		£000
-	Balance at start of the year	<u>-</u>
-	Assets purchased	-
	Assets newly classified as held for sale:	
-	Property, Plant and Equipment	3,009
-	Assets sold	-
<u>-</u>	Balance at end of the year	<u>3,009</u>

The assets reclassified as Held for Sale in 2012-13 include White Hart Court, which is to be sold for the provision of social housing, and the Bellerby Theatre Site, which is to be sold to provide a mixed-use development in Guildford town centre.

21. SHORT TERM CREDITORS

30 March 2012		30 March 2013
£000		£000
<u>3,515</u>	Central government bodies	<u>3,437</u>
1,440	Other local authorities	4,353
10,317	Other entities and individuals	<u>8,670</u>
15,272	Total	16,460

22. PROVISIONS

The Council's provisions consist of eight items totalling £1,053,524 (£475,925 in 2011-12). The major items are:

- £400,457 in respect of housing benefit grant received from government in 2011-12 which may have to be repaid

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- £208,992 required under accounting practice in respect of the cost of exit packages (see note 34)
- £186,600 in respect of personal search fees which, subject to legal action, may have to be repaid
- £101,559 to cover the first element (15 per cent) of the scheme of arrangement clawback in relation to MMI Limited
- £100,000 required under accounting practice in respect of the Council's liability to purchase carbon reduction commitment credits

23. USABLE RESERVES

Movement in the Council's usable reserves is set out in the Movement in Reserves Statement and notes 6 and 7.

24. UNUSABLE RESERVES

31 March 2012	31 March 2013
£000	£000
68,424 Revaluation Reserve	67,152
(192) Available for Sale Financial Instruments Reserve	34
354,077 Capital Adjustment Account	355,881
(57,000) Pensions Reserve	(63,238)
46 Collection Fund Adjustment Account	38
(227) Accumulated Absences Account	(228)
365,128	359,639

Revaluation Reserve

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

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

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

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2011-12		2012-13
<u>£000</u>		<u>£000</u>
53,534 Balance at 1 April		68,424
17,462 Upward revaluation of assets	3,738	
(1,115) Downward revaluation of assets and impairment losses not charged to the Surplus / deficit on the Provision of Services	(3,571)	
16,347 Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		167
(1,376) Difference between fair value depreciation and historical cost depreciation	(1,378)	
(81) Accumulated gains on assets sold or scrapped	(61)	
(1,457) Amounts written off to the Capital Adjustment Account		(1,439)
68,424 Balance at 31 March		67,152

Available for Sale Financial Instruments Reserve

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

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2011-12		2012-13
<u>£000</u>		<u>£000</u>
13 Balance at 1 April		(192)
(205) Upward/(downward) revaluation of investments		226
(192) Balance at 31 March		34

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

2011-12		2012-13
£000		£000
553,045	Balance at 1 April	354,077
	Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:	
(10,552)	Charge for depreciation of non-current assets	(10,701)
(6,225)	Revaluation losses on Property Plant and Equipment	(350)
(312)	Amortisation of intangible assets	(222)
(1,534)	Revenue expenditure funded from capital under statute	(1,550)
(1,904)	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	(1,251)
(20,527)		(14,074)
1,457	Adjusting amounts written out of the Revaluation Reserve	1,439
(19,070)	Net written out amount of the cost of non-current assets consumed in the year	(12,635)
(192,435)	HRA reform	-
	Capital financing applied in the year:	
2,063	Use of the Capital Receipts Reserve to finance new capital expenditure	1,284
4,078	Use of the Major Repairs Reserve to finance new capital expenditure	5,313
1,208	Use of capital grants and contributions to finance new capital expenditure	1,424
113	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	109
2,225	Capital expenditure charged against the General Fund and HRA balances	5,857
9,687		13,987
2,850	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	452
354,077	Balance at 31 March	355,881

Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

<u>2011-12</u> <u>£000</u>	<u>2012-13</u> <u>£000</u>
(45,614) Balance at 1 April	(57,000)
(12,217) Actuarial losses on pensions assets and liabilities	(5,250)
(3,969) Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(5,385)
4,800 Employer's pensions contributions and direct payments to pensioners payable in the year	4,397
(57,000) Balance at 31 March	(63,238)

Collection Fund Adjustment Account

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

<u>2011-12</u> <u>£000</u>	<u>2012-13</u> <u>£000</u>
2 Balance at 1 April	46
44 Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(8)
46 Balance at 31 March	38

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, for example 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.

<u>2011-12</u> <u>£000</u>	<u>2012-13</u> <u>£000</u>
(301) Balance at 1 April	(227)
301 Settlement or cancellation of accrual made at the end of the preceding year	227
(227) Amounts accrued at the end of the current year	(228)
74 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)
(227) Balance at 31 March	(228)

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011-12	2012-13
£000	£000
1,142 Interest received	631
(143) Interest paid	(5,244)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2011-12	2012-13
£000	£000
10,552 Depreciation	10,701
6,225 Revaluation losses on Property, Plant & Equipment	350
312 Amortisation of intangible assets	222
205 (Surplus) or deficit on revaluation of available for sale financial assets	(226)
737 Increase in creditors	2,975
495 (Increase) / decrease in debtors	(1,717)
(198) (Increase) / decrease in inventories	276
(831) Movement in pension liability	988
179 Contributions to provisions	578
1,904 Carrying amount of non-current assets sold	1,251
(2,850) Increase in investment property value	(452)
16,730	14,946

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

2011-12	2012-13
£000	£000
(1,109) Capital grants and contributions credited to surplus or deficit on the provision of services	(1,499)
(2,538) Proceeds from the sale of non-current assets	(1,711)
(3,647)	(3,210)

26. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities are:

2011-12	2012-13
£000	£000
(11,341) Purchase of property, plant and equipment, investment property and intangible assets	(16,934)
(30,897) Purchase of short-term and long-term investments	(114,025)
2,491 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,672
55,968 Proceeds from short-term and long-term investments	90,026
1,431 Other receipts from investing activities	755
17,652 Net cash flows from investing activities	(38,506)

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

27. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities are:

2011-12		2012-13
£000		£000
192,435	Cash receipts of short and long-term borrowing	-
505	Other receipts from financing activities	(336)
(233)	Repayments of short and long-term borrowing	(233)
(113)	Other payments for financing activities	-
192,594	Net cash flows from financing activities	(569)

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

GUILDFORD BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012-13

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

2012-13	Business Systems	Corporate Development	Economic Development	Financial Services	Housing Advice Services	Health and Community Care	Human Resources	Legal and Democratic Services	Neighbourhood and Housing Management	Operational services	Parks and Leisure	Planning Services	Revenues and Payments	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(3,905)	(923)	(6,216)	(1,235)	(126)	(2,260)	(735)	(1,006)	(3,753)	(20,070)	(4,471)	(1,566)	(2,143)	(30,099)	(78,508)
Government grants and contributions	-	-	-	(13)	(372)	(33)	-	-	-	-	-	(5)	(44,177)	-	(44,600)
Total Income	(3,905)	(923)	(6,216)	(1,248)	(498)	(2,293)	(735)	(1,006)	(3,753)	(20,070)	(4,471)	(1,571)	(46,320)	(30,099)	(123,108)
Employee expenses	1,525	1,262	1,626	2,370	419	2,673	496	1,364	1,691	6,913	2,570	2,568	1,660	2,406	29,543
Other service expenses	1,487	754	2,209	240	732	1,813	47	689	2,261	10,443	4,323	662	45,130	5,639	76,429
Support service recharges	372	480	602	379	93	625	116	734	238	1,708	438	719	498	1,529	8,531
Depreciation and amortisation	515	34	1,022	-	-	49	-	-	34	2,165	1,791	-	-	5,313	10,923
Total Expenditure	3,899	2,530	5,459	2,989	1,244	5,160	659	2,787	4,224	21,229	9,122	3,949	47,288	14,887	125,426
Net Expenditure	(6)	1,607	(757)	1,741	746	2,867	(76)	1,781	471	1,159	4,651	2,378	968	(15,212)	2,318
2011-12	Business Systems	Corporate Development	Economic Development	Financial Services	Housing Advice Services	Health and Community Care	Human Resources	Legal and Democratic Services	Neighbourhood and Housing Management	Operational services	Parks and Leisure	Planning Services	Revenues and Payments	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(4,133)	(1,001)	(6,387)	(1,143)	(23)	(2,741)	(705)	(1,393)	(3,220)	(19,879)	(7,721)	(1,459)	(2,280)	(28,662)	(80,747)
Government grants and contributions	-	-	-	(3)	(818)	(35)	-	-	-	-	-	-	(42,246)	(4,078)	(47,180)
Total Income	(4,133)	(1,001)	(6,387)	(1,146)	(841)	(2,776)	(705)	(1,393)	(3,220)	(19,879)	(7,721)	(1,459)	(44,526)	(32,740)	(127,927)
Employee expenses	1,553	1,305	1,597	2,527	418	3,235	494	1,458	1,677	6,968	4,795	2,632	1,837	2,410	32,906
Other service expenses	1,588	1,135	1,623	2,875	675	2,197	80	869	1,697	10,182	6,521	622	42,629	22,529	95,222
Support service recharges	546	494	652	371	113	597	126	762	204	1,775	645	734	503	1,153	8,675
Depreciation and amortisation	770	34	678	-	-	58	-	-	34	2,309	1,689	-	-	5,294	10,866
Total Expenditure	4,457	2,968	4,550	5,773	1,206	6,087	700	3,089	3,612	21,234	13,650	3,988	44,969	31,386	147,669
Net Expenditure	324	1,967	(1,837)	4,627	365	3,311	(5)	1,696	392	1,355	5,929	2,529	443	(1,354)	19,742

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

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

2011-12		2012-13
£000		£000
19,742	Net expenditure in the Service Unit Analysis	2,318
195,474	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis, mainly comprising, revaluation gains and losses, revenue funded from capital under statute (REFCUS) and IAS19 adjustment. The 2011-12 figure includes the HRA reform debt settlement.	686
7,368	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	4,349
222,584	Net Cost of Services in Comprehensive Income and Expenditure Statement	7,353

Reconciliation to Subjective Analysis

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

	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2012-13	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(78,508)	-	11,364	9,519	(57,625)	-	(57,625)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	(5,116)	(5,116)
Income from council tax	-	-	-	-	-	(9,624)	(9,624)
Government grants and contributions	(44,600)	-	-	-	(44,600)	(8,213)	(52,813)
Total Income	(123,108)	-	11,364	9,519	(102,225)	(22,953)	(125,178)
Employee expenses	29,543	(761)	(1,413)	(254)	27,115	-	27,115
Other service expenses	76,429	-	(4,314)	(1,374)	70,741	-	70,741
Support service recharges	8,531	-	(640)	(7,891)	-	-	-
Depreciation, amortisation, valuation gains and losses and REFCUS	10,923	1,447	(648)	-	11,722	-	11,722
HRA reform debt settlement	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	6,866	6,866
Precepts and levies	-	-	-	-	-	1,283	1,283
Payments to housing Capital Receipts Pool	-	-	-	-	-	486	486
Gain on disposal of fixed assets	-	-	-	-	-	(470)	(470)
Total expenditure	125,426	686	(7,015)	(9,519)	109,578	8,165	117,743
(Surplus) or deficit on the provision of services	2,318	686	4,349	-	7,353	(14,788)	(7,435)

	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2011-12	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges and other service income	(80,747)	-	11,104	10,194	(59,449)	-	(59,449)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	(8,533)	(8,533)
Income from council tax	-	-	-	-	-	(9,574)	(9,574)
Government grants and contributions	(47,180)	-	-	-	(47,180)	(7,997)	(55,177)
Total Income	(127,927)	-	11,104	10,194	(106,629)	(26,104)	(132,733)
Employee expenses	32,906	(1,870)	(1,397)	(224)	29,415	-	29,415
Other service expenses	95,222	-	(3,374)	(2,047)	89,801	-	89,801
Support service recharges	8,675	-	(752)	(7,923)	-	-	-
Depreciation, amortisation, valuation gains and losses and REFCUS	10,866	4,909	1,787	-	17,562	-	17,562
HRA reform debt settlement	-	192,435	-	-	192,435	-	192,435
Interest payments	-	-	-	-	-	1,103	1,103
Precepts and levies	-	-	-	-	-	1,284	1,284
Payments to housing Capital Receipts Pool	-	-	-	-	-	919	919
Gain on disposal of fixed assets	-	-	-	-	-	(446)	(446)
Total expenditure	147,669	195,474	(3,736)	(10,194)	329,213	2,860	332,073
(Surplus) or deficit on the provision of services	19,742	195,474	7,368	-	222,584	(23,244)	199,340

29. ACQUIRED AND DISCONTINUED OPERATIONS

The Council did not acquire nor discontinue any operations in 2012-13.

30. TRADING OPERATIONS

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

	2012-13			2011-12		
	Turnover £000	Expenditure £000	Surplus/(Deficit) £000	Turnover £000	Expenditure £000	Surplus/(Deficit) £000
Building maintenance	2,876	2,901	(25)	2,482	2,504	(22)
Fleet Management	2,634	2,423	211	2,640	2,493	147
Stores	141	142	(1)	44	45	(1)
Vehicle Maintenance	889	898	(9)	918	908	10

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

31. AGENCY SERVICES

The Council has an agency agreement with Surrey County Council whereby the Borough Council is responsible for managing on-street parking (including parking enforcement) within the Boroughs of Guildford and Waverley on behalf of the County Council. The surplus is shared between the Borough Council (35 per cent) and Surrey County Council (65 per cent). The figures are included in highways and transport services within the CIES.

2011-12		2012-13
£000		£000
1,024	Expenditure incurred in managing on street parking (including the parking enforcement service) within the Borough and Waverley Borough	992
(1,544)	Income from on street parking (including penalty fees) within the Borough and Waverley Borough	(1,629)
(520)	Net surplus (shared between GBC and SCC)	(637)

32. POOLED BUDGETS

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

33. COUNCILLORS' ALLOWANCES

The Council paid allowances of £284,844 (£279,805 in 2011-12) to Councillors in the year to 31 March 2013.

A further breakdown is as follows:

2011-12		2012-13
£		£
223,142	Basic Allowance	225,131
52,602	Special Responsibility Allowance	55,679
4,061	Mileage and Subsistence	4,034
279,805		284,844

The amount paid to each councillor is published annually on the Council's website, at <http://www.guildford.gov.uk/article/5128/Councillors---allowances>

34. OFFICERS' REMUNERATION

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

Remuneration Band	2012-13	2011-12
	Number of Employees	Number of Employees
	Total	Total
£50,000 - £54,999	10	11
£55,000 - £59,999	10	15
£60,000 - £64,999	2	2
£65,000 - £69,999	4	3
£70,000 - £74,999	4	7
£75,000 - £79,999	3	2
£80,000 - £84,999	1	0
£85,000 - £89,999	0	0
£90,000 - £94,999	1	0
£95,000 - £99,999	2	3
£125,000 - £130,000	0	1
£130,000 - £134,999	0	1
£135,000 - £139,999	1	0

The following table sets out the Senior Officers' emoluments for 2012-13, where the salary is between £50,000 and £150,000 per year:

Postholder		Salaries, fees and Allowances	Other non salary payments	Lump sum in respect of car mileage, telephone etc.	Termination Payments	Pension Contribution	Car lease/ other benefits	Total
Chief Executive - 1	2012-13	123,183	5,689	1,653	-	17,985	5,099	153,609
	2011-12	123,183	-	2,634	-	17,985	3,192	146,994
Strategic Director - 2	2012-13	50,842	-	-	-	-	-	50,842
	2011-12	91,766	-	1,642	30,000	13,398	6,743	143,549
Strategic Director	2012-13	91,766	-	1,653	-	13,398	5,295	112,112
	2011-12	91,766	-	1,642	-	13,398	5,865	112,671
Strategic Director	2012-13	91,766	-	1,653	-	13,398	5,024	111,841
	2011-12	91,255	-	1,642	-	13,323	3,099	109,319
Head of Service - 3	2012-13	120,105	-	-	-	-	-	120,105
	2011-12	105,536	13,032	232	-	6,742	3,097	128,639
Head of Service	2012-13	67,062	-	472	-	9,790	4,611	81,935
	2011-12	66,894	-	538	-	9,766	4,428	81,626
Head of Service	2012-13	71,853	-	664	-	10,491	4,528	87,536
	2011-12	71,142	-	660	-	10,387	4,766	86,955
Head of Service	2012-13	69,319	-	472	-	10,287	4,883	84,961
	2011-12	65,605	-	468	-	9,578	4,948	80,599
Head of Service	2012-13	71,800	-	472	-	10,483	5,264	88,019
	2011-12	68,522	-	468	-	10,004	5,046	84,040
Head of Service	2012-13	66,531	-	472	-	9,705	2,313	79,021
	2011-12	65,817	-	565	-	9,609	3,751	79,742
Head of Service	2012-13	66,484	-	604	-	9,705	4,661	81,454
	2011-12	65,817	-	625	-	9,609	4,659	80,710
Head of Service - 4	2012-13	-	-	-	-	-	-	-
	2011-12	38,393	-	420	-	5,605	-	44,418
Head of Service	2012-13	66,475	-	2,109	-	9,705	-	78,289
	2011-12	65,817	-	1,961	-	9,609	-	77,387
Head of Service	2012-13	66,475	-	604	-	9,705	2,103	78,887
	2011-12	65,448	-	600	-	9,555	2,103	77,706
Head of Service	2012-13	68,475	-	472	-	9,997	5,436	84,380
	2011-12	65,447	-	468	-	9,555	5,159	80,629
Head of Service	2012-13	66,915	-	812	-	9,740	4,083	81,550
	2011-12	63,924	-	1,785	-	9,333	1,464	76,506
Head of Service	2012-13	58,013	-	1,477	-	8,390	600	68,480
	2011-12	55,493	-	2,829	-	8,288	727	67,337
Head of Service	2012-13	57,932	-	724	-	8,458	6,470	73,584
	2011-12	54,747	-	600	-	7,993	5,094	68,434

Note 1 – the other non-salary payment is for work relating to the Police and Crime Commissioner election. Central Government reimburses the costs in respect of this election.

Note 2 – post holder left at the end of 2011-12. The Council filled this post through an agency on an interim basis for six months during 2012-13.

Note 3 – post holder retired during 2011-12 and the post is filled, on an interim basis, through an agency. The other non-salary payment in 2011-12 is for work undertaken for the Borough Elections and Referendum. Central Government reimbursed the costs of the Referendum.

Note 4 - post holder retired during 2011-12 and was not replaced; their annualised salary was 65,897.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
							£	£
£0 - £20,000	1	19	1	1	2	20	11,590	157,913
£20,001 - £40,000	1	9	0	3	1	12	26,262	353,777
£40,001 - £60,000	0	2	0	2	0	4	-	186,632
£60,001 - £80,000	0	1	0	0	0	1	-	72,872
£80,001 - £100,000	1	0	0	0	1	0	82,526	-
£100,001 - £120,000	1	0	0	0	1	0	113,086	-
	4	31	1	6	5	37	233,464	771,194
Add: Amounts provided for in CIES not included in bandings						Note 1	148,992	-
						Note 2	60,000	-
Total cost included in CIES							442,456	771,194

1. The Comprehensive Income and Expenditure Statement (CIES) includes a provision of £148,992 for exit packages which were agreed before the year-end but not payable until after 31 March 2013. These costs are not included in the bands.
2. The Council has provided for a number of employees in the recycling and cleansing service that it has estimated will accept a redundancy package at an estimated cost of £60,000. These costs are also not included in the bands.

Payments shown in respect of redundancies include both redundancy payments and additional amounts paid to the Pension Fund, where applicable

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

35. EXTERNAL AUDIT COSTS

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

2011-12 £'000	2012-13 £'000
116 Fees payable to Grant Thornton (Audit Commission in 2011-12) with regard to external audit services carried out by the appointed auditor for the year	76
- Less rebate received from the Audit Commission	(8)
48 Fees payable to Grant Thornton/Audit Commission in respect of certification of grant claims and returns	48
164 Total	116

36. GRANT INCOME

The Council credited the following grants, contributions and donations to the CIES in 2012-13:

2011-12		2012-13
£'000		£'000
	Credited to Taxation and Non Specific Grant Income	
4,999	Non domestic rates	5,810
	<u>Non-ringfenced government grants</u>	
1,545	Revenue Support Grant	113
138	New Homes Bonus	584
206	Council Tax Freeze	207
1,109	Capital grants and contributions	1,499
7,997	Total	8,213
	Credited to Services	
20,209	Housing Benefit Rent Allowance subsidy	21,265
14,016	Housing Benefit Rent Rebate subsidy	14,780
6,889	Council Tax Benefit subsidy	7,010
4,078	HRA Major Repairs Allowance grant	-
833	Homelessness Strategies	379
796	Housing Benefit Administration	721
679	Supporting People Grant	536
385	Day care and other social services	474
379	Contributions to grants to voluntary organisations	177
242	Business Rate Collection	239
189	Safer Guildford Partnership	37
150	Recycling	156
371	Other	312
49,216	Total	46,086

37. RELATED PARTIES

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example council tax bills, housing benefits). Grants received from Government departments are set out in note 36.

Councillors and Officers

Councillors have direct control over the Council's financial and operating policies. The total of councillors' allowances paid in 2012-13 is shown in Note 33. The Council paid grants totalling £166,370 to voluntary organisations in which a number of elected councillors had an interest. In addition, the Council paid grants totalling £364,185 to voluntary organisations in which a number of councillors were acting as a Borough Council nominee. The Council gave support totalling £325,919 to the Citizens Advice Bureaux in which two councillors had an interest and four councillors were acting as Borough Council nominees. In all instances, the grants were made with proper consideration of declarations of interest and the relevant councillors, although able to take part in any discussion relating to these grants, were excluded from voting. Senior officers have not disclosed any transactions with related parties.

38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2011-12		2012-13
£'000		£'000
4,344	<i>Opening Capital Financing Requirement</i>	200,318
	<i>Capital Investment</i>	
10,820	Operational assets	11,306
702	Non-operational assets	5,012
170	Intangible assets	182
1,534	Revenue Expenditure Funded from Capital under Statute	1,550
192,435	HRA reform	-
	<i>Sources of finance</i>	
(273)	Specific Capital Grants	(390)
(2,063)	Capital Receipts	(1,283)
(935)	Contributions	(1,034)
(2,338)	Direct Revenue Financing and MRP / VRP	(5,966)
(4,078)	HRA Major Repairs Reserve	(5,313)
200,318	<i>Closing Capital Financing Requirement</i>	204,382
195,974	<i>Movement during the year</i>	4,064
	Increase/(decrease) in in underlying need to borrow (unsupported by government financial assistance)	

39. LEASES

Council as Lessee

Finance leases

The Council has acquired a number of assets under finance leases. They are included on the Balance Sheet at the following net amounts:

2011-12		2012-13
£'000		£'000
1,906	Council Dwellings	1,920
10,352	Other Land & Buildings	10,107
107	Vehicles, Plant, Furniture and Equipment	-
675	Investment Property	675
13,040		12,702

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

made in 2011-12.

Operating leases

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

2011-12		2012-13
£'000		£'000
146	Not later than one year	209
349	Later than one year and not later than five years	429
845	Later than five years	1,150
1,340		1,788

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £184,342 (£153,000 in 2011-12).

Council as Lessor

Finance leases

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

Operating leases

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

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

2011-12		2012-13
£'000		£'000
5,022	Not later than one year	5,660
18,382	Later than one year and not later than five years	20,484
303,344	Later than five years	301,183
326,748		327,327

The lease payments receivable in 2012-13 were £5,582,477 (£5,638,999 in 2011-12).

40. IMPAIRMENT LOSSES

There were no impairment losses in 2012-13.

41. DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits

will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

Transactions Relating to Post-employment Benefits

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

2011-12 Comprehensive	2012-13
£000 Income and Expenditure Statement	£000
<i>Cost of services:</i>	
3,715 Current service cost	3,457
(920) Curtailments	113
214 Past Service Costs/(gain)	71
<i>Financing and Investment Income and expenditure:</i>	
8,399 Interest cost	7,916
(7,439) Expected return on assets in the scheme	(6,172)
3,969	5,385
Total Post Employment Benefit charged to the deficit on the Provision of Services	
<i>Movement in Reserves Statement</i>	
(3,969) Reversal of net charges made for retirement benefits in accordance with IAS 19	(5,385)
<i>Actual amount charged against the General Fund</i>	
<i>Balance for pensions in the year:</i>	
4,800	4,397
- employers' contributions payable to scheme	

In addition to the recognised gains and losses included in the Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, actuarial losses of £5.2 million (actuarial losses of £12.2 million 2011-12) were included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £49.1 million.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2011-12		2012-13
£000		£000
154,284	Opening balance at 1 April	165,272
3,715	Current service cost	3,457
8,399	Interest cost	7,916
1,305	Contributions by scheme participants	1,176
258	Losses on Curtailments	113
(3,716)	Liabilities extinguished on settlements	-
6,449	Actuarial gains and losses	16,084
(5,636)	Benefits paid	(5,552)
214	Past service costs	71
165,272	Closing balance at 31 March	188,537

Reconciliation of fair value of the scheme assets:

2011-12		2012-13
£000		£000
108,670	Opening balance at 1 April	108,272
7,439	Expected rate of return	6,172
(5,665)	Actuarial gains and losses	10,853
(2,539)	Assets distributed on settlements	-
4,698	Employer contributions	4,378
1,305	Contributions by scheme participants	1,176
(5,636)	Benefits paid	(5,552)
108,272	Closing balance at 31 March	125,299

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

The actual return on scheme assets in the year was £17 million (£1.8 million in 2011-12).

Scheme History

	2008-09	2009-10	2010-11	2011-12	2012-13
	£000	£000	£000	£000	£000
Present value of liabilities	(113,994)	(174,523)	(154,284)	(165,272)	(188,537)
Fair Value of Employer Assets	70,894	102,914	108,670	108,272	125,299
Deficit in the scheme	(43,100)	(71,609)	(45,614)	(57,000)	(63,238)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £63 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £4,060,000.

Basis for Estimating Assets and Liabilities

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

The main financial assumptions used in their calculation have been:

2011-12		2012-13
	Long-term expected rate of return on assets in the scheme:	
6.3%	Equity investments	4.5%
3.9%	Bonds	4.5%
4.4%	Property	4.5%
3.5%	Cash	4.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.9 years	Men	21.9 years
24 years	Women	24 years
	Longevity at 65 for future pensioners:	
23.9 years	Men	23.9 years
25.9 years	Women	25.9 years
2.5%	Rate of inflation/pension increase	2.8%
1.0%	Rate of increase in salaries	1.0%
5.7%	Expected return on assets	4.5%
4.8%	Discount rate	4.5%

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

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

2011-12		2012-13
73%	Equities	76%
18%	Bonds	18%
6%	Property	5%
3%	Cash	1%
100%		100%

History of experience Gains and Losses

The actuarial gains/(losses) identified as movements on the Pensions reserve in 2012-13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2008-09	2009-10	2010-11	2011-12	2012-13
	%	%	%	%	%
Experience gains and (losses) on assets	(40.00)	24.95	(2.58)	(5.23)	8.66
Experience gains and (losses) on liabilities	(0.01)	(0.02)	(5.90)	(1.24)	0.09

42. CONTINGENT LIABILITIES

MMI Ltd may claim an amount of up to £677,000 in relation to the company's liability for asbestos induced mesothelioma claims arising on the Council's liability account. During 2012-13 the directors of MMI Ltd triggered the scheme of arrangement, with an initial levy rate of 15 per cent, which the Council has made a provision for. There may be further levies at some time in the future, but there is no indication of when or how much.

43. CONTINGENT ASSETS

There were no contingent assets as at 31 March 2013.

44. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitment to make payments
- market risk – the possibility that financial loss might arise as a result of changes in market variables such as interest rates.

Credit risk: Investments

The Council manages credit risk by ensuring that investments are only placed with

organisations of high credit quality as set out in the Treasury Management Strategy.

The strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria (A- or equivalent). Although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of credit indicators. These include:

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

The Treasury Management Strategy also imposes a maximum sum the Council can invest with a financial institution (£10 million) and a total group investment limit for institutions that are part of the same banking group (£15 million). A maximum sum for long-term investments (greater than 364 days) is also set.

All investments in 2012-13 were in line with the Council's approved Treasury Management Strategy.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the balance sheet date that this was likely to materialise.

The Council does not hold collateral against any investments.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2013 and shows that all deposits outstanding at 31 March 2013 met the Council's credit rating criteria on that date:

Counterparty	Long term Credit Rating (lowest denominator) at 31 March 2013	Balance invested as at 31 March 2013 - maturity profile						Totals
		Up to 1 month £000	1 to 3 months £000	3 to 6 months £000	6 to 9 months £000	9 to 12 months £000	>24 months £000	£000
Term Deposits:	AAA	-	-	-	-	-	-	-
	AA+	-	-	-	-	-	-	-
	AA	-	-	-	-	-	-	-
	AA-	-	-	-	-	-	-	-
	A+	-	-	-	-	-	-	-
	A	2,000	9,000	6,000	1,000	-	-	18,000
	A-	-	-	-	-	-	-	-
Money Market Funds	AAA	34	-	-	-	-	-	34
Call Accounts	AA-/A+/A	20,485	-	-	-	-	-	20,485
Notice Accounts	A	-	-	10,000	-	-	-	10,000
Supranational Bonds	AAA	-	-	-	-	5,000	-	5,000
Investment Funds	n/a	10,064	-	-	-	5,000	-	15,064
Total Investments		32,583	9,000	16,000	1,000	10,000	-	68,583

Trade Receivables

The Council does not generally allow credit for customers. Of the total debt outstanding, £1.9 million relating to services that the Council has invoiced for is past its due date for payment. The past due amount can be analysed by age as follows:

	<u>£'000</u>
Less than six months	1,274
Six months to one year	124
More than one year	<u>528</u>
	<u>1,926</u>

Liquidity risk

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

The Council is exposed to the risk that it will need to refinance a significant proportion of its borrowing at the time of unfavourable interest rates. The Council's strategy is to plan carefully when new loans are taken out and making early repayments where financially advantageous. It also maintains a spread of fixed rate loans ensuring loans mature at different times to minimise this risk.

The Council would only borrow in advance of need where there is a clear business case for doing so.

The maturity analysis of the principal sums borrowed is as follows:

<u>31 March 2012</u> <u>£'000</u>		<u>31 March 2013</u> <u>£'000</u>
	Short Term Borrowing	
230	Less than one year	230
	Long Term Borrowing	
230	Over 1 but not over 2 years	230
690	Over 2 but not over 5 years	690
45,920	Over 5 but not over 10 years	45,920
40,000	Over 10 but not over 15 years	40,000
50,000	Over 15 but not over 20 years	50,000
25,000	Over 20 but not over 25 years	25,000
<u>32,435</u>	Over 25 but not over 30 years	<u>32,205</u>
194,505	Total Borrowings	194,275

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

Market risk: Interest rate risk

The Council is exposed risks arising from movements in interest rates on its borrowing and investments. Movement in interest rates have a complex impact on the Council. The Treasury Management Strategy aims to mitigate these risks by setting upper limits for fixed and variable interest rate exposures.

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

A rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement.

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

If interest rates had been one per cent higher (all other variables being constant) the Council would have received approximately £660,000 more in interest receipts on its investments.

Market Risks: Price Risk

The market prices of the Council’s fixed bond investments and its units in collective investment schemes are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

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

Market Risks: Foreign Exchange Risk

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

45. TRUST FUNDS

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

2012-13	Income £000	Expenditure £000	Assets £000	Liabilities £000
Hamilton Fellowes	2	5	83	-
Allen House Pavillion	-	-	2	-
Total	2	5	85	-

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

HRA INCOME AND EXPENDITURE STATEMENT

2011-12 £000	NOTE	2012-13 £000
Income		
	1	
26,117		27,676
926		941
1,106		1,117
4,078	10	-
513		365
32,740		30,099
Expenditure		
4,161		4,422
4,541		4,454
16,403	10	18
243	2	86
235		90
8,249	9	4,385
86		93
12		9
33,930		13,557
1,190		(16,542)
Net Cost of HRA Services per Comprehensive Income & Expenditure Statement		
243		234
192,435	10	-
193,868		(16,308)
(699)		(665)
(101)		(109)
124		5,117
193,192		(11,965)
(Surplus)/deficit for year on HRA services		

The 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 to be funded from rents and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this is different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

MOVEMENT ON THE HRA STATEMENT

2011-12 £000	2012-13 £000
1,900 Balance on the HRA at the end of the previous year	2,500
(193,192) Deficit for the year on the HRA Income and Expenditure Account	(11,965)
194,421 Adjustments between accounting basis and funding basis under statute (see note 8 to the Accounts)	3,223
<hr/> 1,229 Net increase (decrease) before transfers to reserves	<hr/> (8,742)
(629) Transfers to (from) reserves	8,742
<hr/> 600 Increase in year on the HRA	<hr/> -
<hr/> 2,500 Balance on the HRA at the end of the current year	<hr/> 2,500

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, voids amounted to £489,491 or 1.78 per cent of gross rent income from dwellings (£297,176 or 1.15 per cent for 2011-12). Average rents were £101.67 per week in 2012-13, an increase of £6.24 over the previous year.

2. Rent Rebates

Costs and associated subsidy transferred to the General Fund with effect from 1 April 2004. Rent rebate expenditure not eligible for subsidy due to average rents being above Government guideline rents remains chargeable to the HRA and was £85,686 in 2012-13 (£242,639 in 2011-12).

3. Rent Arrears

At 31 March 2013, rent arrears were £1,092,573 (including £286,829 former tenant arrears) or 3.98 per cent of gross rent income. The comparable figures for 2011-12 were £1,145,554 (including £295,301 former tenant arrears) or 4.42 per cent of gross rent income.

The provision for bad debts at 31 March 2013 was £439,629. The comparable figure for 2011-12 was £437,424.

Amounts written off in the year amounted to £87,794 (£123,786 in 2011-12).

Payments in advance amounted to £182,969 (£147,640 in 2011-12).

4. Housing Stock

The Council was responsible for managing on average 5,287 dwellings in 2012-13, analysed below:

2011-12 Average	2012-13
2,642 Houses	2,638
2,305 Flats	2,299
353 Bungalows	350
5,300	5,287

2011-12	2012-13
5,306 Stock at 1 April	5,293
(8) Less Sales	(11)
(5) Other Adjustments	(3)
5,293 Stock at 31 March	5,279

5. Stock Valuation – Balance Sheet Basis

The basis for the balance sheet valuation of the Council's housing stock is Existing Use Value – Social Housing (EUV – SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV – SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The valuation was carried out by Wilks Head and Eve, Chartered Surveyors. The date of the valuation was April 2012.

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

Valuations for HRA assets are:

1 April 2012		1 April 2013
£000		£000
355,258	Dwellings (valued at EUV - SH)	358,377
3,910	Other Operational Land and Buildings (valued at MV - EU)	3,981
148	Community Assets (historic cost)	148
359,316	Total HRA Assets	362,506

6. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at 1 April 2013 was £1,003 million. The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rent.

7. Major Repairs Reserve (MRR)

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

2011-12		2012-13
£000		£000
-	Opening Balance at 1 April	-
4,078	Reversal of Major Repairs Allowance credit to the HRA	-
-	Depreciation transferred from the HRA	5,313
(4,078)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(5,313)
-	Closing Balance at 31 March	-

Under the self-financing regime, which began on 1 April 2012, the Council no longer receives a major repairs allowance from Government. Instead, depreciation is a real charge to the HRA, and is transferred to the MRR, to be used for funding expenditure on HRA assets.

8. Capital Expenditure and Financing

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

	Financing		Expenditure
	£000		£000
Capital Receipts	404	Council dwellings	7,131
Major Repairs Allowance	5,313	Assets under construction	23
Reserve for Future Capital	1,428	Intangible assets	18
New Build Reserve	23		
Grants and contributions	4		
	<u>7,172</u>		<u>7,172</u>

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £1.662 million.

9. Depreciation

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

2011-12		2012-13
£000		£000
5,240	Dwellings	5,236
54	Other Operational Land and Buildings	77
<u>5,294</u>	Total HRA Assets	<u>5,313</u>

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

10. Housing Revenue Account Subsidy

The Government replaced the Housing Revenue Account subsidy system on the 1 April 2012 with a new self-financing arrangement. In preparation for this, the Council was required to pay £192,435,000 to the Government in 2011-12. The Council funded this with loans from the Public Works Loan Board.

The audit of the 2011-12 subsidy calculation resulted in an increased subsidy payable of £17,712 over that provided for in the 2011-12 accounts. A summary of the notional HRA for 2011-12 is set out as follows:

2011-12		2012-13
£000		£000
<u>8,813</u>	Management & Maintenance Allowance	-
	Rent Rebates eligible for subsidy	
<u>158</u>	Other eligible expenditure and allowances	-
8,971	Total Eligible Expenditure	-
<u>25,376</u>	Notional Rent Income	-
25,376	Total Eligible Income	-
<u>2</u>	Adjustment to claim after audit	<u>18</u>
(16,403)	Negative HRA Subsidy Payable	18
<u>4,078</u>	HRA Subsidy Receivable (Major Repair Allowance)	-
(12,325)	Net Subsidy Payable	18

11. Contributions to/from the Pensions Reserve

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

2011-12		2012-13
£000		£000
<u>318</u>	Reversal of items relating to retirement benefits debited to the HRA	<u>330</u>
<u>(482)</u>	Employer's pensions contributions and direct payments to pensioners payable in the year	<u>(492)</u>
(164)	Contribution to the Pensions Reserve	(162)

COLLECTION FUND

2011-12 £000		2012-13 £000
Income		
73,802	Income from Business Ratepayers - Note 2	75,990
78,507	Council Taxes	81,120
6,773	Council Tax Benefit	6,899
159,082		164,009
Expenditure		
Precepts		
63,822	Surrey County Council	66,271
11,350	Surrey Police Authority	11,730
9,520	Guildford Borough Council	9,587
84,692		87,588
73,290	Contribution to NNDR National Pool	74,751
242	Payment to General Fund for collecting NNDR	239
370	Provision for bad and doubtful debts	1,100
92	Distribution of prior year estimated surplus	402
158,686		164,080
396	Surplus/(deficit) for year	(71)
Collection Fund Balance		
13	Balance at the beginning of the year	409
396	Surplus/(deficit) for the year	(71)
409	Balance at the end of the year	338

NOTES TO THE COLLECTION FUND

1. General

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

2. Income from Business Rates

Under the current arrangements for National Non- Domestic Rates (NNDR), the Council collects non-domestic rates for its area. These rates are based on local rateable values (£195,403,905 as at 31 March 2013) multiplied by a uniform rate (45.8p standard and 45.0p small business rate in 2012-13). The total amount collectable, less an allowance for the cost of collection is paid to a Central Pool (the NNDR pool), which is managed by Central Government.

3. Income from National Non-Domestic Rate Pool

Having received the national non-domestic rates from all authorities, Central Government pays back a share of the pool based on a standard amount per head for the local resident population (£5,810,192 for 2012-13). This is paid directly into the Council's General Fund.

4. Income from Council Tax

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

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
Dis A	3.50	5/9	1.94
A	661.50	6/9	441.00
B	2,539.25	7/9	1,974.97
C	9,526.75	8/9	8,468.22
D	13,736.50	9/9	13,736.50
E	8,736.75	11/9	10,678.25
F	5,874.00	13/9	8,484.67
G	6,735.00	15/9	11,225.00
H	1,449.00	18/9	2,898.00
	49,262.25		57,908.56
Plus adjustment for MoD properties and collection rates offset by anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled person's relief and exempt properties			-264.17
			57,644.39

5. Council Tax Bad Debt Provision

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

2011-12 £'000	2012-13 £'000
257 Balance at 1 April	255
100 Transfer from revenue	100
(102) Write offs	(259)
255 Balance at 31 March	96

A. F. L.

Chairman of the Audit and Corporate Governance Committee approving the accounts

25 September 2013

GUILDFORD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2012-13

1. SCOPE OF RESPONSIBILITY

- 1.1. Guildford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has approved and adopted a local code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*, including compliance with the *CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010)*. A copy of the code is on the website at www.guildford.gov.uk or can be obtained from Corporate Development Services, Millmead House, Millmead, Guildford, Surrey, GU2 4BB (tel. 01483 444854).
- 1.4. This statement explains how the Council has complied with the code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.
- 2.3. The governance framework has been in place for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. GOVERNANCE FRAMEWORK

- 3.1. The Council is a complex organisation with an appropriately comprehensive governance framework that works in a dynamic environment and keeps its processes under constant review.

Strategic Framework and Performance Management

- 3.2. The Governance arrangements start with the Strategic Framework, which sets out the Vision and Mission and establishes the Council's Key Delivery Targets (KDTs). The Council approved the Strategic Framework in operation throughout 2012-13 in 2011.

- 3.3 The Council has continued to develop the service planning process. There are performance targets at both an individual and service level and project milestones based on the new KDTs. There is a clear link between service delivery and the Council's corporate objectives. We monitor progress against the objectives in the service plans through regular performance monitoring meetings and reports to Management Team.
- 3.4 The Council has had a robust performance management system for many years with links to individual service improvement plans, KDTs and the Council's risk management system. In 2011-12, we reviewed the Council's performance indicators and in 2012-13 implemented the new suite of corporate indicators. We report progress against the corporate indicators to both Management Team and Corporate Improvement Scrutiny Committee.
- 3.5 We have embedded risk management within the organisation. It is an integral part of project management and service unit plans. We have changed the format of the risk register within the service level plans in line with the latest guidance from ALARM, the public sector risk management association.
- 3.6 Officers should review each service risk register during the year. However, this is not currently done consistently across the organisation and this will be monitored in 2013-14.
- 3.7 We record risks at all levels from the basic, but essential, health and safety risks such as slips, trips and falls to high level-risks such as the impact of the financial situation and climate change.
- 3.8 Risk Management is an integral part of project management and we use risk management effectively in all of our significant projects. However, we do not currently apply risk management consistently in all of our smaller projects.
- 3.9 We recognised this was an issue during 2012-13, and reviewed our project management framework. This resulted in the development of a corporate framework that will be applied across the Council. The new approach tailors the project management process to the scale of the project, but now all projects will include a risk assessment.
- 3.10 The Council has always scored well under the Audit Commission's annual assessment of Value for Money. We are continuing with the Lean Management programme introduced in 2011-12 to improve services and reduce costs. Over the last year, there has been a reduction in the number of staff without any reduction in customer service.
- 3.11 We are also moving ahead with the "Better place, better council" transformational change programme and have introduced a programme of fundamental service reviews. There are ten programmes currently running and over the coming years every service will be subject to scrutiny and improvement. This will include actively looking at alternative methods of service delivery through the Lean programme, shared services and partnerships with the public, voluntary or commercial sectors.
- 3.12 Other significant achievements in 2012-13 were:
1. agreed a programme of fundamental service reviews
 2. set up a £20 million investment fund to increase the Council's investment income
 3. managed the HRA debt and loan structure of £195 million
 4. worked with partners across Surrey and Berkshire to procure and implement the first phase of the Unicorn IT infrastructure that will allow us to share services and reduce costs

5. retained the Customer Service Excellence Standard covering the whole Council, following an inspection in November 2012
6. our credit rating with Moody's was downgraded from Aaa to Aa1 because of the Sovereign downgrade; however we have retained the Aa1 rating following a further inspection
7. in 2012-13 we set up our first neighbourhood planning forum in Burpham
8. implemented and redesigned our garden waste service, investing £1.2 million in new fleet and bins
9. developed a revised refuse and recycling strategy, that aims to achieve a 70 per cent recycling and composting rate, reduce future capital requirements and generate annual savings estimated to be £500,000
10. carried out a successful ballot for and implemented a Business Improvement District
11. agreed a Local Council Tax Support Scheme that protects the most vulnerable whilst coping with financial challenge
12. continued to invest in Councillor training
13. developed and agreed an Organisational Culture Framework (see footnote)²
14. developed a new project management framework (see footnote)³
15. increased our governance on committee reports and outcomes
16. increased our support for social enterprise initiatives with the successful launch of the Guildford Bike project

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

The Constitution

- 3.13 The Council has a comprehensive Constitution that covers the roles and responsibilities of Councillors and officers. We constantly review the Constitution with amendments agreed and issued throughout the year to ensure that it remains relevant to the objectives contained in the Strategic Framework. We will start a complete review of the constitution in 2013-14, which will take into account the results of a review of the planning committee being undertaken by a working party in 2013.

Forward Plan and Committee Decisions

- 3.14 We use the Forward Plan to manage the work programme and decisions of the Executive and full Council. The work programme for the two scrutiny committees are discussed at agenda setting meetings held every four months with the chairmen and vice-chairmen of the scrutiny committees.

² The organisational culture framework is a matrix of behavioural competencies to ensure that we continually improve and are able to meet our current and future key delivery targets.

³ The new project management framework defines individual projects according to an approved set of criteria to ensure that the appropriate governance and reporting arrangements are in place.

Localism Act

- 3.15 The Localism Act, which came into force in 2011, has had a significant impact on the Council. Because of changes to the Standards regime, we replaced the Standards and Audit Committee with the Audit and Corporate Governance Committee and a separate Standards Committee. We continue to keep under review the potential impact on planning and housing services.

Audit and Corporate Governance Committee

- 3.16 Because of the Localism Act 2011, we disbanded the Standards and Audit Committee and set up an Audit and Corporate Governance Committee. The role and functions of the committee include:
- monitoring internal audit activity and receiving bi-annual reports from the Head of Corporate Development
 - receiving reports from the external auditor, including his annual letter
 - review and approve the annual statement of accounts
 - monitoring and reviewing the Council's constitution
 - corporate governance, risk management, statement on internal control and any issues referred to it
 - compliance with the Council's own and published standards
 - monitoring the effectiveness of various Council policies.

The full role and responsibilities are available on our website, at Part 2 (Article 11) of the Constitution.

- 3.17 We advise the committee, through a regular reporting process, of progress against agreed internal audit recommendations and other governance issues such as equalities, risk management, sickness, health and safety, business recovery and data quality.

Compliance with Laws and Regulations

- 3.18 The Council employs appropriate professional staff in relevant fields to provide guidance and advice as required. Part of their role is to ensure that the actions of the Council and individual councillors and officers comply with relevant laws and regulations, as well as the Council's own policies and procedures.
- 3.19 Management Team, which includes the Chief Financial Officer, reviews all reports to the Executive. The acting Monitoring Officer and Interim Head of Legal and Democratic Services have access to all Management Team papers. They also attend when Management Team consider the Executive reports. In addition, the Council has comprehensive Financial Procedure Rules and Procurement Procedure Rules as part of the Constitution that provide guidance on spending decisions to ensure that expenditure is lawful and properly controlled. The Council has appointed an Acting Monitoring Officer following the retirement of the previous post holder pending a full review of Legal and Democratic Services.

Whistleblowing and Complaints

- 3.20 The Council has a Whistleblowing policy as part of its Constitution, which we are reviewing. All managers have received guidance in how this should be applied.
- 3.21 During 2011-12, we reviewed how the Council deals with corporate complaints and approved a new policy. We implemented the policy during 2012-13 resulting in an improvement in the timeliness and quality of complaint handling. Over the past year, complaints have reduced from 660 to 479. Customer complaints are subject

to monitoring with quarterly reports on performance and trends going to Management Team.

Development of Councillors and Senior Officers

- 3.22 All officers (including senior officers) have one appraisal a year with an option for a second one midway through the year. Officers also have a series of one to one meetings with their line manager to discuss individual performance against agreed targets. This is also an opportunity to identify development needs and training requirements against the Council's objectives.
- 3.23 We have developed the officer appraisal system during 2012-13 by the introduction of behavioural competencies linked to each post and developed it into a performance review system. We have provided training to all staff and managers and the first review meetings under the new system will take place in May 2013.
- 3.24 We offer all councillors the opportunity for individual training plans based on an assessment of their needs, taking consideration of their role in the Council and previous training and experience. The plans include personalised training opportunities dependent upon the Councillor's preferred method of training. In July 2010 we signed up for the South East Employers' Charter for Elected Member Development and are currently working towards being assessed to receive the Charter in September 2013.
- 3.25 We offer training through a range of options and cover a variety of subjects such as Ethical Standards, Planning, Licensing, media, and time management. We have also reviewed the function of scrutiny committees and provided training sessions for councillors.
- 3.26 The Council has adopted KDTs which clearly set out the aims and objectives of the Council but they need to be underpinned by a clear set of values that are understood and adhered to by staff at all levels. We are currently refreshing the corporate plan and strategic framework. Work on values and competencies has resulted in an Organisational Culture Framework that we have incorporated in our performance management framework.
- 3.27 During 2011-12, we demonstrated our ambition to provide excellent customer service by achieving Investors in People (IIP) accreditation and being one of the first councils in the country to achieve the Customer Service Excellence standard for all services. We achieved this through our commitment to focus on customer needs and expectations and having robust systems in place to support this. At a review meeting in November 2012 we retained the Council wide accreditation.

Communication, Consultation and Accountability

- 3.28 The Council has a well-established process to manage effective communication with residents and stakeholders. All households received four editions of *About Guildford* in 2012-13 to provide an update on the Council's activities and performance.
- 3.29 In addition, individual services produce their own publications for residents and customers to provide information and education (that is to encourage behaviour changes in matters such as recycling and litter).
- 3.30 The Council has a corporate identity used to brand communications and services. This helps customers and taxpayers to understand which services we provide or are responsible for.
- 3.31 In 2012-13, we restructured our website, reduced content based on customer usage statistics and improved the search facility. We are continuing to expand our use of social media to improve our customer engagement.

- 3.32 We have continued to incorporate more functions in the customer service centre to improve customer service across the Council. We will approve a Customer Service Improvement Strategy in 2013.
- 3.33 The Council realises the importance of consultation with our residents and community. We already consult widely in line with our Consultation Strategy using for example, publications, surveys, focus groups and a citizens' panel but we recognise the need for greater engagement and involvement with residents and stakeholders in our strategic decision making and service delivery.
- 3.34 Many of our services actively consult with the community as an integral part of their service delivery. However, our community is changing and we need to be responsive to their developing needs. We have identified consultation as part of the overall process of transparency and engagement with our residents and customers. In 2012, the Customer and Community Scrutiny Committee set up a task group to consider the Council's consultation arrangements. This group reported to the committee and the Executive in April 2013. The recommendations of the group will be implemented and progress reviewed in 12 months' time.

Partnerships

- 3.35 Partnership arrangements are becoming increasingly important for all local authorities. The Council's Mission Statement reflects this with reference to the provision of first class services through partnership working. The Council already has a number of partnerships, of varying significance. There are examples of best practice in major partnerships such as the Surrey Strategic Waste Partnership and Choice-Based Lettings. The Local Strategic Partnership (LSP) has improved working practices by introducing a performance management framework and all partners carried out a self-assessment to identify how they understand local needs, how these are translated into local priorities and how they identify prospects for future improvement.
- 3.36 The LSP has carried out a review of its effectiveness and decided not to continue in its current form. We will replace it with a Public Service Board. The existing thematic groups will continue although possibly in a slightly different form. They will still deliver on the shared priorities of the partners.

4. REVIEW OF EFFECTIVENESS

- 4.1. The 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 effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Corporate Development, as the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorate.
- 4.2. Internal Audit has conducted an ongoing review of the Council's Corporate Governance processes and carried out audits according to the annual Audit Plan, which was approved by the Management Team and the Standards and Audit Committee. We base the Audit Plan on a risk assessment that provides guidance as to the frequency of audits. It covers four main themes (Financial Control, Asset Management, Management Control and ICT) specifically to address the main concerns of corporate governance
- 4.3. Internal Audit has produced an annual report on Corporate Governance, which is an assessment of corporate governance against CIPFA guidelines. They also review standards of internal control including risk and performance management. The overall conclusion is that the system of Internal Control at Guildford Borough Council for the period to 31 March 2013 was sound.

- 4.4. We have used all of this activity to inform the annual Corporate Governance Statement.
- 4.5. We have a Corporate Governance Group that meets quarterly to discuss any governance issues or concerns. The group comprises the Chief Executive (as Head of Paid Service), the S151 Officer, the Head of Corporate Development (as Acting Monitoring Officer and Head of Internal Audit) and the Head of Legal and Democratic Services. We also have an Information Security Risk Group to review the Council's information governance and have appointed a senior manager as the Senior Information Risk Owner who is working with a group of officers to improve information security.
- 4.6. There are two scrutiny committees:
1. Corporate Improvement Scrutiny Committee - to lead on functions concerned with the management of the Council's resources, internal services and overall improvement programme.
 2. Customer and Community Scrutiny Committee – to lead on functions that have a direct impact on the Council's customers and local communities.
- 4.7. The Audit and Corporate Governance Committee receive reports on progress against the audit plan, activities and findings of Internal Audit, risk management, health and safety, equalities, treasury management, ethical standards, Ombudsman complaints and progress against audit recommendations. It also receives interim and annual reports from the Audit Commission and Grant Thornton, the Council's previous and current external auditors.

5. INTERNAL AUDIT STATEMENT

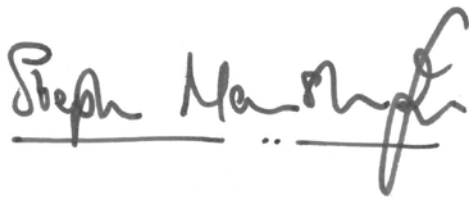
- 5.1 During 2012-13 internal auditors completed 42 audits. The auditors assessed the assurance levels as follows:
- 20 substantial assurance
 - 15 reasonable assurance
 - 3 limited assurance
 - 0 no assurance
 - 4 no opinion
- 5.2 Where appropriate the audit report provides management recommendations designed to address weaknesses in the system of internal control. We report the outcomes of these audits to the Audit and Corporate Governance Committee every six months giving councillors an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the auditors. We also update councillors on the progress of recommendations.
- 5.3 The Council has very high levels of assurance in respect of all its main financial systems and its governance arrangements. The main financial systems, which feed into the production of the Council's financial statements, achieved a substantial assurance level following internal audit.
- 5.4 Each year the Head of Corporate Development, as the Head of internal Audit, provides an opinion on the Council's assurance and control framework in his Annual Opinion Report April 2012 to March 2013.

6. SIGNIFICANT GOVERNANCE ISSUES

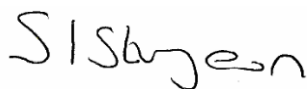
- 6.1. This year has been a period of continuing improvement and there have been ongoing financial pressures. Despite this challenging environment, there have been significant achievements and continuing improvement in the Council's overall governance arrangements. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.
- 6.2. During 2012-13, we had a security breach that led to disciplinary proceedings. While the breach was proven, the controls in place worked as intended and the breach was quickly discovered. We carried out an investigation and are satisfied it was an isolated incident. However, we have reviewed our systems and strengthened the management controls to prevent further occurrences.
- 6.3. In September 2012, we were due to present to the Executive for approval two planning documents relating to the development of Guildford town centre. We withdrew the items following notification of a legal challenge. Officers have been reviewing the process leading up to the publication of reports for the Council's committees to ensure that all the appropriate advice is sought on every occasion.

7. ASSURANCE SUMMARY

- 7.1. Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of our area in an equitable and open way. It recognises the standards of behaviour that support good decision-making: collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.
- 7.2. From the review, assessment and monitoring work undertaken and the ongoing work of internal audit we have reached the opinion that overall key systems are operating soundly and that there are no fundamental control weaknesses.
- 7.3. We confirm, to the best of our knowledge and belief, that this statement provides an accurate and fair view.



Signed:
Leader of the Council on behalf of Guildford Borough Council



Signed:
Chief Executive on behalf of Guildford Borough Council