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# Financial Statements 2007/08

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# Financial Statements 2007/08

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## APPROVAL OF FINANCIAL STATEMENTS

The attached financial statements were approved by the Strategy and Resources Committee of the Council, in accordance with the Council's Constitution, on 24 June 2008.



**Eber A Kington**  
Acting Chairman of Strategy and Resources Committee

**Date: 30/9/2008**

## Certificate of the Director of Finance

I certify that the statement of accounts set out on pages 23 to 55 attached, for the year 2007/08, present fairly the financial position of the Council as at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.



**J.L. Turnbull CPFA**  
Director of Finance

**Date: 30/9/2008**

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## INDEPENDENT AUDITOR'S REPORT

### Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Epsom and Ewell Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Explanatory Foreword, the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Epsom and Ewell Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

I review whether the annual governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements and related notes and consider whether it is consistent with the Council's audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council's accounting statements and related notes. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in

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the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

### Opinion

In my opinion the Council's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.



Paul Grady,  
District Auditor,  
Audit Commission,  
1st Floor,  
MLS Business Centre,  
Crossweys,  
28-30 High Street,  
Guildford,  
GU1 3EL.

September 2008.

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## CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

### Authority's Responsibilities

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

### Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Epsom and Ewell Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### Best Value Performance Plan

The previous appointed auditor issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 in December 2007. The previous appointed auditor did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.


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### Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

A handwritten signature in black ink, appearing to be 'Paul Grady', written in a cursive style.

Paul Grady,  
District Auditor,  
Audit Commission,  
1st Floor,  
MLS Business Centre,  
Crossweys,  
28-30 High Street,  
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September 2008.

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## EXPLANATORY FOREWORD

### Introduction

1. This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

There have been a number of changes, mainly to the presentation of the accounts with effect from 2007/08. These changes are detailed below.

- The replacement of Fixed Asset Restatement Account and Capital Financing Account with the Revaluation Reserve and Capital Adjustments Account
- Financial instruments held within the balance sheet where deemed appropriate are valued at the lower of net realisable value and cost.

The majority of these changes are being introduced in order to conform to UK Generally Accepted Accounting Practices and to make local authorities' accounts more akin to those found in the private sector.

For comparative purposes following the changes referred to above and in accordance with the requirements of FRS3 all comparator figures for 2006/07 have been restated.

The Council's accounts for the year 2007/08 are set out on pages 23 to 55 and have been prepared in accordance with the Code of Practice on Local Authority Accounting, which has been endorsed by the local authority associations and the Accounting Standards Board. The statements provide a concise picture of the Borough Council's financial position for the year ended 31 March 2008 and consist of the following: -

**Income and Expenditure Account**, Gross expenditure (including depreciation and impairment of fixed assets, the current and past service costs of pensions and gains and losses on settlements and curtailment of pensions, provisions and exceptional items), income and net expenditure on General Fund continuing operations;

**Statement of Movement on the General Fund Balance**, details the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year;

**Statement of Total Recognised Gains and Losses**, which sets out the changes in the level of capital and revenue reserves in the financial year;

**Balance Sheet**, which sets out the financial position in terms of assets and liabilities of the Council as at 31 March 2008;

**Cash Flow Statement**, which summarises the movement of the Council's cash funds in the financial year; and

**Collection Fund Income and Expenditure Account**, which records the council tax and business rate transactions in the financial year.

For each of the accounts notes and supporting information is provided.

2. In addition to the above, financial statements have been included for:

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**Trust Funds Balance Sheet** which sets out the financial position in terms of assets and liabilities as at 31 March 2008 of those funds administered by the Council.

## Council Tax Accounts

- Total precept requirements were £1,327.40 per Band D property. This comprised £1,009.62 for Surrey County Council, £171.27 for Surrey Police and £146.51 for Epsom and Ewell Borough Council. The precept levied by the Borough Council was determined after taking account of income from nationally redistributed Business Rates of £3.5 million and Revenue Support Grant of £0.6 million. The resultant precept on the Collection Fund amounted to £4.6 million.
- The Borough Council achieved a Council Tax collection rate at 98.4%( 98.9% in 2006/07). Outstanding Council Tax arrears remain subject to recovery action until such times as these sums are fully paid.

## General Fund Revenue Account

- The budget for the year agreed by the Council on 20 February 2007 provided for net expenditure on General Fund services of £9.0 million with a contribution from working balances of £0.4 million resulting in a net budget requirement of £8.6 million. This represented an increase of £0.3 million in the net budget requirement compared to the previous year. The main reasons for this increase were:

<u>Reductions in Budgeted Expenditure/Increase in Income</u>	£'000	
Additional income from increases in fees and charges	- 221	
Increased income from use of car parks	- 144	
Income from new green waste service	- 280	
Increased council tax and housing benefit subsidy	- 100	- 745
<u>Increases in Budgeted Expenditure/Reductions in Income</u>		
Provision for inflation	+ 557	
Cost of providing new green waste service	+ 307	
Additional service provisions	+ 73	+ 937
<b>Increase in Total Net Requirement</b>		<b>+ 192</b>
Reduced use of working balances		+ 128
<b>Increase in Net Budget Requirement</b>		<b>+ 320</b>

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6. Net expenditure 2007/08 by Committee is detailed below.

2006/07 Actual £'000		2007/08		
		Original Budget £'000	Actual £'000	Variance* £'000
1,400	Strategy and Resources Committee	2,575	1,763	(812)
2,328	Environment Committee	2,086	2,509	423
3,067	Social Committee	3,039	2,838	(201)
3,417	Leisure Committee	3,882	3,090	(792)
(1,678)	Asset Rent Landlord Account	(2,616)	(1,441)	1,175
<b>8,534</b>	<b>TOTAL</b>	<b>8,966</b>	<b>8,759</b>	<b>(207)</b>

\* individual committee variations include changes to internal recharges.

7. Net expenditure for the year was £207,000 less than the original estimate, which represents a variation of 2.3% against the Council's net budget requirement.

8. The Council has a policy of maintaining a prudent General Fund balance to provide for unforeseen requirements. The movement in fund balance for the year is shown below:

2006/07 Actual £'000		2007/08		
		Original Budget £'000	Actual £'000	Variance £'000
4,019	Balance Brought Forward at 1 April 2007	3,606	3,760	154
(259)	Surplus (Deficit) for the year	(370)	(163)	207
<b>3,760</b>	<b>Balance Carried Forward at 31 March 2008</b>	<b>3,236</b>	<b>3,597</b>	<b>361</b>

### Housing Revenue Account

9. The Council has disposed of its remaining housing stock and the Secretary of State gave formal permission to close the Housing Revenue Account from 1 April 2001.

### Capital Accounts

10. The Council has a controlled capital expenditure programme. The net revenue costs of funding this programme and of the individual capital projects forms an integral part of the revenue budget strategy.

11. The Council spent £1.9 million on capital schemes in 2007/08. A summary of expenditure by committee is shown below and the sources of funding.

2006/07 Actual £'000		2007/08		
		Original Budget £'000	Actual £'000	Variance £'000
743	Strategy and Resources	395	322	(73)
305	Environment Committee	151	415	264
774	Social Committee	1,085	638	(447)
340	Leisure Committee	820	492	(328)
41	Hospital Cluster	0	1	1
<b>2,203</b>	<b>TOTAL</b>	<b>2,451</b>	<b>1,868</b>	<b>(583)</b>

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2006/07 £'000		2007/08 £'000
1,333	Capital Receipts	993
856	External Contributions	677
14	Revenue Contribution	198
<b>2,203</b>	<b>TOTAL</b>	<b>1,868</b>

12. Two schemes in 2007/08 were reliant on the receipt of external funding before they could commence. This funding was not received in 2007/08 but will be received in 2008/09. Both of these schemes have commenced in 2008/09.
13. The Council generated £0.2 million of new capital receipts during the year.
14. The balance of the Council's usable capital reserves at 31 March 2008 is £8.6 million (compared to £9.4 million at the 31 March 2007).
15. The Council has been debt free since 31 March 1994 and had no debt outstanding at any time during the year.

### **Introduction of the Euro**

16. The Council is monitoring the position concerning the introduction of the Euro and any future government decision on the United Kingdom's entry into the European Monetary Union. As at 31 March 2008 the Council has not incurred or planned any expenditure or entered into any commitments specifically in preparation for the introduction of the Euro.

### **Further Information**

17. Additional information about the accounts is available from the Director of Finance, Epsom & Ewell Borough Council, Town Hall, The Parade, Epsom, Surrey KT18 5BY.

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## STATEMENT OF ACCOUNTING POLICIES

### General Principles

1. The statement of accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### Debtors and Creditors

2. Revenue and capital transactions are accounted for on an accruals basis to the extent that creditor items for goods and services provided but not paid for at 31 March 2008 are included at actual cost or the best available estimate. Debtors for income, capital receipts, subsidies and reimbursements, due but not received at 31 March 2008, are included at the best available estimate.
3. The total amount of debtors in the Balance Sheet is distinguished between:

**Long Term Debtors**, which are those amounts not due within the next financial year; and

**Current Assets**, which are those due immediately or within the next financial year.

### Provisions

4. Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
5. Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.
6. Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.
7. Provisions are included in the accounts as sums set aside for specific liabilities or losses as a result of a past event, in which it is probable or certain that a transfer of economic benefits will be required to settle the obligation and that this can be reliably estimated. The movements in provisions in the year have been charged to revenue. The Council maintains provisions for bad debt on the Revenue Account, for Housing Benefits and Council Tax and Non Domestic Rate Payers Accounts.

### Nature of Substantial Reserves

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## Financial Statements 2007/08

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8. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

The Council maintains the following main strategic revenue reserves:

**Interest Equalisation Reserve** is maintained to provide funding cover for year on year variations in investment income;

**Repairs and Renewals Reserve** provides funding for the replacement of certain vehicles, plant and equipment;

**Insurance Reserve** provides funding for valid insurance claims falling within self-insurance limits;

**Hospital Cluster Interest Reserve** is maintained to supplement the capital funding to meet the costs of the Horton Chapel development or to meet the potential liability of paying back the sums involved including interest ;

**Corporate Project Reserve** has been created as a general corporate contingency against additional scheme costs;

**Commuted Sums** represents amounts received from developers for the maintenance of open spaces, the majority relates to hospital cluster schemes;

**Property Maintenance Reserve** provides funding for the backlog of property maintenance;

**VAT Reserve** provides for future VAT liabilities as a result of exceeding partial exemption threshold and any other future potential liabilities.

**Other Reserves** provide funding for historic buildings, planning initiatives, community safety, training and Section 106.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council.

### Tangible Fixed Assets

9. Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (eg repairs and maintenance) is charged to revenue as it is incurred.

The Council operates a de-minimis level of £20,000 below which, the total costs of a capital scheme or rolling programme of schemes will not be charged to capital on the grounds of materiality.

Assets acquired under finance leases are capitalised in the authority's accounts, together with the liability to pay future rentals. At 31 March 2008 the Council has not acquired any assets

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under finance lease. Other assets previously acquired under advance and deferred purchase schemes are recognised and included in the balance sheet at their fair value

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and operational properties are valued on the basis of open market value for existing use or, where this cannot be assessed because there is no market for the asset, the depreciated replacement cost. The only exception to this is new buildings included at the cost of construction and re-valued at the end of the year in which they become fully operational
  - Infrastructure and Community assets are not revalued but included in the balance sheet at historic cost
  - Vehicle, Plant and Equipment, where not integral to the fabric of the building, are shown separately at depreciated replacement cost
  - Non-operational properties (Investment Properties) are valued on the basis of open market value. The only exception to this are those properties which have changed classification from operational buildings since 1998, which are shown at the depreciated replacement cost pending revaluation
  - Assets under construction are valued on the basis of those costs incurred up to the 31 March
  - Surplus Assets for Resale are valued on the basis dependent on the individual asset.
10. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 1993 Code of Practice on Local Authority Accounting.
  11. The freehold and leasehold properties which comprise the Council's property portfolio were valued by a suitably qualified external valuer in accordance with the statements of asset valuation and guidance notes of the Royal Institution of Chartered Surveyors. All properties are re-valued within a five year period and additionally to take into account any potential impairment in their value, or upon construction and the completion of material improvements. A review of the balance sheet value of each category of assets is undertaken to establish whether there has been a genuine impairment in the value of assets.
  12. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.
  13. **Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:
    - where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
    - otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.
  14. Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.
  15. **Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as

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part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable 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 Statement of Movement on the General Fund Balance.

16. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.
17. **Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties and land), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.
18. All fixed assets except freehold land are depreciated on a straight line basis over the period of their useful economic life, in accordance with the requirements of FRS15 as follows:
  - Land and Buildings, excluding the land element of the valuation, are depreciated over a 20 to 40 year useful life. Specific buildings are not depreciated on the grounds that the charge would be immaterial due to the length of the useful life, e.g. listed buildings.
  - Infrastructure and Community assets are not depreciated on the grounds that the charge would be immaterial due to either the length of the useful life or that the useful life is indeterminable.
  - Vehicles, Plant and Equipment are depreciated over a 4 to 10 year useful life.
  - Newly acquired assets are not depreciated in the year of acquisition but are charged with a full years depreciation in the year of disposal. Assets in the course of construction are not depreciated until brought into use. Where there is a change in valuation during the year, a full years depreciation is charged on the new valuation, if materially different.
19. 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.

### Intangible Assets

20. Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.
21. The costs of purchase and development of software is included in the balance sheet as an intangible asset and written off to the revenue account over four years.

### Deferred Charges

22. Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year.

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Where the council has determined to meet the cost of the deferred charges from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

23. Deferred charges are now written off to the Income and Expenditure Account immediately on the basis that it is not anticipated that the expenditure will benefit the authority over a period of more than one year.

### Charges to Revenue for Fixed Assets

24. Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:
- depreciation attributable to the assets used by the relevant service
  - impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
  - amortisation of intangible fixed assets attributable to the service.
25. The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it would be required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement if essential (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### Leases

26. **Finance Leases** - The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between: a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable). Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.
27. No assets have been acquired under leases at 31 March 2008.
28. **Operating Leases** - Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### VAT

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

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## Investments

30. Investments are shown in the Balance Sheet at the lower of cost of investment or market valuation at 31 March 2008.

The total amount of current asset investments included in the Balance Sheet is distinguished between;

**Long Term Investments** are those amounts invested with a maturity date which is not within the next financial year; and

**Temporary Investments** are those amounts invested with a maturity date within the next financial year.

## Support Service Costs

31. In accordance with the 'Best Value Accounting Code of Practice' the costs of all support services are apportioned to the relevant "front-line" services within the Income and Expenditure Account based on an estimate of their use of the service. The only exceptions to this are non-material residual support costs where it is not possible or practical to apportion to services. These costs are shown within the Income and Expenditure Account as 'non-distributed costs'.

## Pensions

32. These statements have been prepared in accordance with Financial Report Standard (FRS) 17 – Retirement Benefits. The Balance Sheet shows a Pension liability of £9.1 million, which reduces the net worth of the Council by some 10.3%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.
33. The Council pays employer's contributions into the Superannuation Fund, administered by Surrey County Council, for superannuable employees. The basic contribution was set at 10.02% of appropriate employee emoluments for salaried and manual staff. For certain manual employees the employers' contribution is protected at 8.35% of appropriate employee emoluments.
34. Costs have been determined in accordance with relevant Government regulations, which until the triennial actuarial valuation of the Superannuation Fund effective from 1 April 1993, were set to meet only 75% of the fund's liabilities. The triennial actuarial valuation requires the payment of additional annual contributions into the Superannuation Fund, to ensure that cover will be provided to meet 100% of the fund's liabilities.
35. The Local Government Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Superannuation Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
  - Liabilities are discounted to their value at current prices, using a real discount rate of 3.2% (based on the indicative rate of return on high quality corporate bonds).

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- The assets of the Superannuation fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities – mid-market value
  - unquoted securities – professional estimate
  - unitised securities – average of the bid and offer rates
  - property – market value.

36. 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 Income and Expenditure Account to the revenue accounts of services for whom the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account.
- 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 Net Operating Expenditure in the Income and Expenditure Account.
- gains/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 to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- contributions paid to the Superannuation pension fund – cash paid as employer's contributions to the pension fund.

37. Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to the Pensions Reserve after Net Operating Expenditure to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

38. Pensions have been treated within the statements in accordance with recommended financial reporting standards for local authorities, additional information on pension costs and liabilities are included in note 12 to the Core Financial Statements (page 32). The disclosure notes within the financial statements have been prepared in accordance with FRS17.

### **Work in Progress, Stocks and Stores**

39. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works..

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## Financial Statements 2007/08

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40. Stores purchases are recorded at cost; issues are priced on an average cost basis. Consumable stores are not valued and are excluded from year-end stock takes. The above accounting treatment is not in accordance with SSAP 9 "Stocks and Long Term Contracts" which recommends that stocks and work in progress should be included in financial statements at the lower of either cost or net realisable value. The reason for the variation in accounting treatment is that amounts of stock held are not material and that it is not practical to follow SSAP 9 requirements for stock items held by the Council.

### Government Grants and Contributions

41. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure.(eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### Executive Remuneration

42. Remuneration as disclosed in note 5 of the Core Financial Statements (page 30) is all amounts paid to or receivable by an employee, including sums due by way of expenses allowance and the estimated money value of any other benefits received by an employee otherwise than in cash.

### Interest Rates

43. Interest earned on investments is credited to the General Fund plus strategic revenue reserves and other accounts, where approved by members of the Council. The amount of interest credited to strategic revenue reserves and other accounts is based on the rate of return on average investment balances over the financial year. The remaining investment income is credited to the General Fund.

### Overheads and Support Services

44. The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
  - Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

### Prior Period Adjustments

45. In the 2007/08 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2006/07 on the Balance Sheet:

## Financial Statements 2007/08

- Capital contributions unapplied have been recognised in the balance sheet as a creditor rather than within balances and reserves.
- Capital contributions deferred are treated in the balance sheet under long term liabilities rather than previously within balances and reserves.
- The capital financing account and fixed asset restatement account has been replaced by the capital adjustment account and the revaluation reserve.

46. These changes have had the following impact on the comparative figures for 2006/07 compared with those published in the 2006/07 Statement of Accounts (only figures that have changed are included in the table):

	Balance Sheet in 2006/07 Statement of Accounts	Relocation of capital contributions unapplied	Relocation of capital contributions deferred	Replacement of the FARA and CFA with Capital Adjustment Account	2006/07 comparatives in Balance Sheet
	£'000	£'000	£'000	£'000	£'000
<b>Current Liabilities</b>					
Capital contributions unapplied	0	606			606
<b>Long term Liabilities</b>					
Capital contributions deferred	0		1,562		1,562
<b>Total Assets less Liabilities</b>	<b>0</b>	<b>606</b>	<b>1,562</b>	<b>0</b>	<b>2,168</b>
<b>Balances and Reserves</b>					
Capital contributions unapplied	606	(606)			0
Capital contributions deferred	1,562		(1,562)		0
Fixed asset restatement account	53,361			(53,361)	0
Capital financing account	12,590			(12,590)	0
Capital adjustment account	0			65,951	65,951
<b>Total Balances and Reserves</b>	<b>68,119</b>	<b>(606)</b>	<b>(1,562)</b>	<b>0</b>	<b>65,951</b>

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# Financial Statements 2007/08

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## STATEMENT OF RESPONSIBILITIES

### General

1. The accounts have been prepared in accordance with the provisions of the 'Code of Practice on Local Authority Accounting in The United Kingdom: Statement of Recommended Practice' published by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2007.
2. The Financial Statements are published separately from the Annual Report, the latter providing further information about the Council and its services.

### Responsibilities

3. The Council's financial responsibilities are assigned as follows:

**The Borough 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 Director of Finance;
- manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
- approve the Statement of Accounts by 30 June 2008; and
- publish the Statement of Accounts by 30 September 2008.

**The Director of Finance** in his capacity as the Section 151 Officer, is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Council at the accounting date stated and its income and expenditure for the year stated.

4. In preparing this statement of accounts, the Director of Finance has:
  - selected suitable accounting policies and then applied them consistently;
  - made reasonable and prudent judgements and estimates;
  - complied with the Code of Practice.
5. The Director of Finance has also:
  - kept proper and up to date accounting records;
  - taken reasonable steps for the prevention and detection of fraud and other irregularities.

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# Financial Statements 2007/08

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## ANNUAL GOVERNANCE STATEMENT

### Scope of responsibility

1. Epsom and Ewell Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Epsom and Ewell Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Epsom and Ewell Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
3. Epsom and Ewell Borough Council is adopting a code of corporate governance<sup>1</sup>, which is consistent with the principles of the CIPFA/SOLACE Framework, “*Delivering Good Governance in Local Government*”. This statement explains how Epsom and Ewell has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### The purpose of the governance framework

4. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. 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 Epsom and Ewell’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Epsom and Ewell Borough Council for the year ended 31 March 2008 and up to the date of approval of the Annual Report and statement of accounts.

#### The governance framework

- A clear statement of the Council’s purpose and vision is set out in its Corporate Plan. The Council’s Priorities are set out in the plan, which also documents the Council’s role in working with its partners.
- The Council sets Key Service Priorities that are agreed annually, and four year Service Plans.
- The behaviour of Councillors is regulated through the Code of Conduct supported by a number of protocols.
- The Council’s Standards Committee has the duty of maintaining high standards

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<sup>1</sup> Code of Conduct agreed by Corporate Governance Group and to be reported to Strategy and Resources Committee

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## Financial Statements 2007/08

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- of conduct throughout the Council and arranging training on ethical matters.
- Employees are subject to a Code of Conduct and a number of specific HR policies.
  - Policy and decision making is facilitated by a clear framework of delegation set out in the Constitution.
  - Risk Management is embedded in the Council through a Strategic Risk Management Policy which includes the requirement to identify corporate and operational risks, assess the risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls.
  - The Council maintains a register of its Significant Business Risks.
  - Risk Management awareness is built into the Council's training programme. The Corporate Risk Group also has a role in embedding risk management across the authority.
  - The Director of Finance is designated as the responsible officer for administration of the Council's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making, providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information.
  - The Scrutiny Committee provides the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities".
  - The Council has in place an approved Whistleblowing Policy for investigating complaints from staff and members of the public.
  - The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision-making.
  - Training is provided for Members and senior officers.
  - The Council has a performance management framework through which the quality of service is measured utilising a traffic lights system including corporate performance indicators which are reported in the Best Value Performance Plan. Performance is monitored by Directors and the relevant policy committees.
  - The Council's Communications Strategy 2006-2009 includes consultation with residents and other stakeholders.
  - The Council continues to develop a range of partnership arrangements and has reviewed the corporate governance arrangements in priority partnerships.

### Review of effectiveness

- 7 Epsom and Ewell Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the External Auditors and other review agencies and inspectorates.

- The review of the effectiveness of the system of internal control has been informed by:
  - The work of managers within the Council;
  - The work of the Internal Audit;
  - The work of Corporate Risk Group;
  - The work of the Corporate Governance Group;
  - Performance Management Information; and
  - The external auditors in their annual audit letter and other reports.

## Financial Statements 2007/08

- Heads of Service have carried out self assessments (Divisional Assurance Statements) of the processes and controls they have in place to allow them to achieve their service objectives.
- The Head of Internal Audit reports to the Director of Finance, but in order to ensure independence has direct access to the Chief Executive, Monitoring Officer, and the Scrutiny Committee. The Head of Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is included in the Internal Audit Annual Report to the Scrutiny Committee. For 2007/2008 Internal Audit , concluded that, based on the work undertaken the Council's internal control systems are considered to be satisfactory.
- The Annual Risk Management Report was presented to the Strategy & Resources Committee June 2007, in which it was concluded that risk management arrangements are sound.
- Reporting on performance management information has taken place to relevant policy committees and the Scrutiny Committee over the course of the year. Based on the information provided during the year and reviews of data quality, adequate controls are in place.

8 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Scrutiny Committee, the Corporate Governance Group and the Corporate Risk Group and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### Significant governance issues

9 The following significant internal controls have been identified:-

No.	Issue	Action
1	A lack of resilience within some key parts of the organisation.	Implementation of the Team Strategy Enhance business continuity arrangements. To recruit key posts in Procurement and Estates.
2	Inadequate monitoring of audit and improvement plans providing a risk that agreed actions are not implemented.	Consolidation of action plans and implementation of performance management and audit monitoring software.
3	A lack of a co-ordinated approach to data management.	Review and update Information Strategy.
4	Difficulties with systems implementation.	Project Management training. Improve project methodology and planning.

10 We propose over the coming year to take steps to address the above matters to further

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## Financial Statements 2007/08


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enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Councillor Eber Kington  
Acting Chairman of Strategy and Resources Committee

Date 30/9/2008



David Smith  
Chief Executive

Date 30/9/2008

## Financial Statements 2007/08

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

2006/07 Final Outturn		2007/08 Final Outturn			
		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
(146)	Central Services		4,672	(4,500)	172
7,004	Culture, Environment and Planning		11,492	(4,946)	6,546
195	Highways, Roads and Transport Services		3,204	(2,920)	284
822	Housing Services		13,344	(12,487)	857
1,487	Social Services		2,187	(712)	1,475
2,034	Corporate & Democratic Core		2,198	(38)	2,160
41	Non Distributed Costs		343	(399)	(56)
<b>11,437</b>	<b>Net Cost of Services</b>	<b>1-10</b>	<b>37,440</b>	<b>(26,002)</b>	<b>11,438</b>
58	Loss on the disposal of fixed assets				0
(1,081)	Interest and Investment Income	11			(1,280)
37	Contribution to housing pooled receipts				21
14	Pension interest cost and expected return on pension assets	12			(69)
<b>10,465</b>	<b>Net Operating Expenditure</b>				<b>10,110</b>
(4,323)	Collection Fund Precept				(4,553)
(645)	Revenue Support Grant				(585)
(3,343)	Contribution from Non-Domestic Rate Pool				(3,484)
34	Transfer from Collection Fund				25
<b>2,188</b>	<b>(Surplus)/Deficit for the Year</b>				<b>1,513</b>

# Financial Statements 2007/08

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £'000		Note	2007/08 £'000
2,188	(Surplus) / Deficit for the year on the Income and Expenditure Account		1,513
(1,929)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	13	(1,350)
<b>259</b>	<b>Reduction in General Fund Balance for the Year</b>		<b>163</b>
(4,019)	General Fund Balance brought forward		(3,760)
<b>(3,760)</b>	<b>General Fund Balance carried forward</b>		<b>(3,597)</b>
(3,760)	Amount of General Fund Balance generally available for new expenditure		(3,597)
<b>(3,760)</b>			<b>(3,597)</b>

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

## Financial Statements 2007/08

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

2006/07 £'000		Note	2007/08 £'000
(2,188)	Surplus / (Deficit) for the year on the Income & Expenditure Account		(1,513)
5,637	Surplus arising on revaluation of fixed assets		5,631
3,053	Actuarial gains and (losses) on pension assets and liabilities	12	3,575
	<b>Other gains and (losses) required to be included in STRGL</b>		
1,077	Surplus for the year on Collection Fund		531
<b>7,579</b>	<b>TOTAL RECOGNISED GAINS / (LOSSES) FOR THE YEAR</b>		<b>8,224</b>

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

# Financial Statements 2007/08

## BALANCE SHEET AS AT 31 MARCH 2008

31 March 2007 £'000		Note	31 March 2008	
			£'000	£'000
	<b>NET FIXED ASSETS</b>			
614	<b>INTANGIBLE ASSETS</b>	23	542	
	<b>Operational assets</b>			
45,491	Land and Buildings	22	49,147	
2,627	Community Assets	22	2,853	
2,180	Vehicles, Plant and Equipment	22	2,013	
41	Infrastructure Assets	22	41	
	<b>Non-operational assets</b>	22		
16,676	Investment Properties	22	17,019	
450	Surplus Assets for Resale	22	450	
-	Assets Under Construction	22	-	
<b>68,079</b>	<b>TOTAL NET FIXED ASSETS</b>			<b>72,065</b>
95	<b>LONG TERM DEBTORS</b>	24		74
1,000	<b>LONG TERM INVESTMENTS</b>	27		2,000
<b>69,174</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>74,139</b>
	<b>CURRENT ASSETS</b>			
10	Stocks and Work in Progress	26	10	
6,502	Debtors	25	5,966	
16,760	Investments	27	15,530	
-	Cash	38	477	
				21,983
	<b>LESS: CURRENT LIABILITIES</b>			
3,697	Creditors	28	4,766	
606	Capital Contributions Unapplied		406	
582	Bank Overdraft	38	0	
				5,172
<b>87,561</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>90,950</b>
	<b>LESS: LONG TERM LIABILITIES</b>			
13,046	Pension Liability	12		9,104
53	Deferred Capital Receipts	29		28
727	Government Grants Deferred	30		299
1,562	Capital Contributions Deferred	31		1,122
<b>72,173</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>80,397</b>

## Financial Statements 2007/08

31 March 2007 £'000		Note	31 March 2008	
			£'000	£'000
	<b>BALANCES AND RESERVES</b>			
9,448	Usable Capital Receipts Reserve	19		8,628
0	Revaluation Reserve	20		5,437
65,950	Capital Adjustments Account	21		65,368
3,760	General Fund Reserve	18		3,597
615	Collection Fund	18		1,146
5,446	Strategic Reserves	18		5,325
(13,046)	Pensions Reserve	12		(9,104)
<b>72,173</b>	<b>TOTAL BALANCES AND RESERVES</b>			<b>80,397</b>

# Financial Statements 2007/08

## CASH FLOW STATEMENT

	Note	2006/07 £'000	2007/08 £'000
<b>REVENUE ACTIVITIES</b>			
<b><u>Cash outflows</u></b>			
Cash paid to and on behalf of employees		(8,703)	(8,999)
Other operating cash payments		(14,062)	(14,152)
Housing Benefit paid out		(10,868)	(11,644)
National non-domestic rate payments to national pool		(21,460)	(21,646)
Precepts paid		(34,648)	(36,496)
<b>Total Revenue Cash Outflows</b>		<b>(89,741)</b>	<b>(92,937)</b>
<b><u>Cash inflows</u></b>			
Rents (after rebates)		5	7
Council Tax receipts		40,328	41,601
National non-domestic rate receipts		20,962	20,689
National non-domestic rate receipts from national pool		3,343	3,484
Revenue Support Grant		645	585
DWP Grants for benefits		10,856	11,672
Other government grants	39	3,666	4,039
Cash received for goods and services		10,606	11,321
<b>Total Revenue Cash Inflows</b>		<b>90,411</b>	<b>93,398</b>
<b>Net Cash Inflow/(Outflow) from Revenue Activities</b>	<b>37</b>	<b>670</b>	<b>461</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Investment Income Received</b>		<b>744</b>	<b>992</b>
<b>CAPITAL ACTIVITIES</b>			
<b><u>Cash outflows</u></b>			
Purchase of fixed assets		(946)	(1,056)
Other capital cash payments		(1,319)	(946)
Change in long term investments		-	(1,000)
<b>Total Capital Cash Outflows</b>		<b>(2,265)</b>	<b>(3,002)</b>
<b><u>Cash inflows</u></b>			
Sale of fixed assets		377	633
Other capital cash receipts		305	591
Capital grants received	39	755	154
<b>Total Capital Cash Inflows</b>		<b>1,437</b>	<b>1,378</b>
<b>Net Cash Inflow/(Outflow) from Capital Activities</b>		<b>(828)</b>	<b>(1,624)</b>
<b>Net Cash Inflow/(Outflow) before Financing</b>		<b>586</b>	<b>(171)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(Increase) decrease in short term deposits	36	<b>(1,677)</b>	<b>1,230</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>38</b>	<b>(1,091)</b>	<b>1,059</b>

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# Financial Statements 2007/08

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Net Cost of Services

The net cost of services is presented in accordance with the Best Value Accounting Code of Practice (BVACOP).

### 2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. Revenue expenditure under this provision amounted to £170,400 in 2007/08, compared to £182,730 in 2006/07. This expenditure was incurred mainly on grants to various organisations.

### 3. Publicity

Under Section 5(1) of the Local Government Act 1986, local authorities are required to disclose expenditure on publicity in the following format.

2006/07 £'000		2007/08 £'000
71	Recruitment Advertising	111
72	Other Advertising	54
35	Civic Newspaper	50
39	Other Publicity	42
<b>217</b>	<b>Total</b>	<b>257</b>

### 4. Finance and Operating Leases

The Council has no finance leases but uses vehicles for waste and other transports services financed under the terms of an operating lease. The amount paid under these arrangements in 2007/08 was £675,000 (compared to £596,000 in 2006/07). These costs are included in the appropriate frontline service within the net cost of services. The Council is committed to making payments of £701,000 under these leases in 2008/09 all of which expire in 2008/09.

Authority as Lessor - In 2007/08 the Council received £1,108,000 in rental income from its investment properties (compared to £1,117,000 in 2006/07), all of this is income was generated from operating leases.

With regard to the authority's activity as activity as a lessor, the gross value of assets held for use in operating leases was £16,896,000 and was subject to £5,000 depreciation to 31 March 2008.

# Financial Statements 2007/08

## 5. Executive Remuneration

Fourteen Council officers received remuneration in excess of £50,000, inclusive of all taxable benefits, as detailed below.

No. of Staff 2006/07	Remuneration Range	No. of Staff 2007/08
8	£50,000 - £59,999	8
1	£60,000 - £69,999	2
2	£70,000 - £79,999	-
1	£80,000 - £89,999	3
-	£90,000 - £99,999	-
2	£100,000 - £109,999	1
<b>14</b>	<b>Total</b>	<b>14</b>

## 6. Members' Allowances

The total amount of members' allowances paid in 2007/08 was £147,000 (compared to £129,000 in 2006/07).

## 7. 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.

Central government has effective control over the general operation of the Council and provides the majority of its funding in the form of grants and prescribes the terms of transactions that the Council has with other parties e.g. Housing and Council Tax benefit payments. Details of the most significant transactions with central government are included in the Income and Expenditure Account and Cash Flow Statement.

The Council has significant financial transactions with both Surrey County Council and Surrey Police Authority and these are included in Collection Fund Income and Expenditure Account.

During 2007/08 the Council made grant payments of £96,000 to two voluntary organisations in which a total of four members had an interest. The grants were made with proper consideration of declarations of interest. Details of member and officer interests and declarations of interest are all recorded by the Council and open to public inspection.

The Council has entered into transactions of £12,000 with Rosebery Housing Association in which 2 members declared an interest.

## 8. Building Regulations Trading Account

The Local Authority Building Control Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Certain activities performed by the building control service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The building control service is required to set its charges so that over a three-year period the cost of the chargeable activities

## Financial Statements 2007/08

is fully recovered. The statement below shows the total cost of operating the service divided between chargeable and non-chargeable activities for 2007/08.

2006/07 Total £'000		2007/08 Chargeable £'000	2007/08 Non - Chargeable £'000	2007/08 Total £'000
	<b><u>Expenditure</u></b>			
(198)	Employee expenses	(160)	(79)	(239)
(11)	Premises	(7)	(3)	(10)
(9)	Supplies and services	(9)	(2)	(11)
(168)	Central and support service charges	(91)	(34)	(125)
<b>(386)</b>	<b>Total Expenditure</b>	<b>(267)</b>	<b>(118)</b>	<b>(385)</b>
	<b><u>Income</u></b>			
260	Building regulations charges	290	0	290
1	Miscellaneous income	0	0	0
<b>261</b>	<b>Total Income</b>	<b>290</b>	<b>0</b>	<b>290</b>
<b>(125)</b>	<b>SURPLUS (DEFICIT) FOR YEAR</b>	<b>23</b>	<b>(118)</b>	<b>(95)</b>

The trading position over the three year period is:

	Chargeable £'000	Non - Chargeable £'000	Total £'000
2005/06	28	(176)	(148)
2006/07	18	(143)	(125)
2007/08	23	(118)	(95)
<b>Total Surplus / (deficit)</b>	<b>69</b>	<b>(437)</b>	<b>(368)</b>

### 9. Insurance Provisions

Epsom and Ewell Borough Council has the following costs in 2007/08:

- £84,000 costs for settling other claims
- £218,000 premiums payable to external insurers.
- £20,000 other net costs

The authority has received £30,000 in settlements from the insurance companies in relation to these events.

Services have thus been debited with £292,000 as part of their total cost (84 + 218 + 20 - 30).

£54,000 has been appropriated to the Statement of Movement on the General Fund Balance from the earmarked insurance reserve. This means that a net total of £238,000 has been debited against revenue balances for the year, the sum that has been recovered from service budgets in internal premiums during the year.

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## 10. Audit Costs

In 2007/08 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2006/07 £'000		2007/08 £'000
81	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	93
6	Fees payable to the Audit Commission in respect of statutory inspection	8
23	Fees payable to the Audit Commission for the certification of grant claims and returns	23
0	Fees payable in respect of other services provided by the appointed auditor	10
<b>110</b>	<b>Balance to Income and Expenditure Account</b>	<b>134</b>

## 11. Investment Income

Interest and investment income for the year amounted to £1.3 million, with the average rate of return achieved of 5.64 % (compared to 4.79% in 2006/07). An analysis of this income and how it was distributed is shown below.

2006/07 £'000		2007/08 £'000
85	Long Term Gilts	25
383	Other Investments (internal)	420
613	Other Investments (external)	835
<b>1,081</b>	<b>Total Interest and Investment Income</b>	<b>1,280</b>
851	Income credited to General Fund	948
198	Income credited to revenue reserves	300
32	Income credited to other accounts	32

## 12. Pension Costs

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

### Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the

## Financial Statements 2007/08

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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2006/07 £'000		2007/08 £'000
	<b>Income and Expenditure Account</b>	
	<i>Net Cost of Services:</i>	
1,374	Current service cost	1,198
20	Past service cost	-
3	Curtailment and settlements	10
	<i>Net Operating Expenditure:</i>	
2,760	Interest cost	2,996
(2,746)	Expected return on assets in the scheme	(3,065)
<b>1,411</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>1,139</b>
	<b>Statement of Movement in the General Fund Balance</b>	
(1,411)	Reversal of net charges made for retirement benefits in accordance with FRS17	(1,139)
	<i>Actual amount charged against council tax for pensions in the year:</i>	
1,414	Employers' contributions payable to scheme	1,506

### Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2008 are as follows:

2006/07 £'000		2007/08 £'000
(56,373)	Estimated liabilities in scheme	(49,997)
43,327	Estimates assets in scheme	40,893
<b>(13,046)</b>	<b>Net asset / (liability)</b>	<b>(9,104)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £9m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £79m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### 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 dependant on assumptions about mortality rates, salary levels, etc. The Surrey County Council Fund liabilities have been

## Financial Statements 2007/08

assessed by Hyman Robertson an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The main assumptions used in their calculations have been:

2006/07		2007/08
3.2%	Rate of inflation	3.6%
4.7%	Rate of increase in salaries	5.1%
3.2%	Rate of increase in pensions	3.6%
5.4%	Rate for discounting scheme liabilities (NB based on 3.2% real)	6.9%

Assets in the Surrey County Council Pension Fund are valued at fair value, principally market value for investments. The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

2006/07				2007/08		
Value at 31 Mar 2007 £'000	Long-term Return	Percentage of funds assets		Value at 31 Mar 2008 £'000	Long-term Return	Percentage of funds assets
32,067	7.8%	74%	Equity Investments	29,049	7.7%	71%
7,720	4.9%	18%	Bonds	7,829	5.7%	19%
2,705	5.8%	6%	Property	2,985	5.7%	7%
835	4.9%	2%	Cash	1,030	4.8%	3%
<b>43,327</b>		100%		<b>40,893</b>		100%

The average long term-term return for assets held were 7.1% for 2006/07 and 7.1% for 2007/08.

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as percentage of assets or liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on assets	4,310	13.7	1,280	3.9	5,670	13.9	-	-	(4,493)	(9.0)
Differences between actuarial assumptions about liabilities and actual experience	253	0.6	657	1.3	(140)	(0.2)	224	0.4	1,297	2.6
Changes in financial assumptions underlying the present value of scheme liabilities	-	-	(6,600)	(13.5)	(5,480)	(9.7)	2,829	(5.0)	6,771	13.5
<b>Total Actuarial Gains / (Losses)</b>	<b>4,563</b>		<b>(4,663)</b>		<b>50</b>		<b>3,053</b>		<b>3,575</b>	

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## 13. Note of Reconciling Items For The Statement of Movement on The General Fund Balance

2006/07 £'000		Note	2007/08 £'000
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(176)	Amortisation of intangible fixed assets	16	(176)
(1,679)	Depreciation and impairment of fixed assets		(2,436)
423	Government Grants Deferred Amortisation		1,114
(577)	Write downs of deferred charges to be financed from capital resources	16	(275)
(58)	Net loss on sale of fixed assets		0
3	Net charges made for retirement benefits in accordance with FRS17		367
<b>(2,064)</b>			<b>(1,406)</b>
	<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
0	Minimum revenue provision for capital financing		0
14	Capital expenditure charged in-year to the General Fund Balance	15	197
(37)	Appropriations from usable capital receipts for pooled housing receipts		(21)
<b>(23)</b>			<b>176</b>
	<b>Transfer to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
158	Net transfers to or from earmarked reserves	14	(120)
<b>158</b>			<b>(120)</b>
<b>(1,929)</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>		<b>(1,350)</b>

## 14. Contributions To / From Strategic Revenue Reserves

A net contribution of £120,000 was made from Strategic Revenue Reserves to the General Fund in 2007/08 (compared to a net contribution of £158,000 to the General Fund in 2006/07).

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### 15. Revenue Contributions to Capital

A net contribution of £197,000 was set aside from revenue to finance capital expenditure in 2007/08 compared to a £14,000 contribution in 2006/07.

### 16. Deferred / Intangible Charges

Deferred charges are capital expenditure incurred on improvements to assets not owned by the authority, improvement grants or other areas where no tangible fixed asset was created, which are written off to the revenue account over the estimated period of economic benefit to the authority, normally one year. The amounts written down are charged to the appropriate front line service within the net cost of services and financed from either a transfer from the Capital Adjustment Account or matched against any government grant funding such that the net effect on the general fund reserve is neutral. In summary for 2007/08:

2006/07 £'000		2007/08 £'000
934	Deferred Charges Written Off	708
(357)	Less Government Grant Funding	(433)
<b>577</b>		<b>275</b>
176	Intangible Charges Written Off	176
<b>753</b>	<b>Transfer from Capital Adjustment Account</b>	<b>451</b>

A summary of deferred charges for 2007/08 is shown below.

2006/07 Expenditure less Amounts w/off £'000		Balance brought forward at 1 April 2007 £'000	Expenditure 2007/08 £'000	Amounts written off 2007/08 £'000	Balance Carried Forward 31 March 2008 £'000
-	Improvement Grants	-	519	(519)	-
-	Other	-	189	(189)	-
-	<b>TOTAL</b>	-	<b>708</b>	<b>(708)</b>	-

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### 17. Summary Introduction to Detail of Movements on Reserves

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 01-Apr- 07 £000s	Net Movement in Year £000s	Balance 31-Mar- 08 £000s	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	0	5,437	5,437	Store of gains on revaluation of fixed assets not yet realised through sales	Note 20 to the Core Financial Statements
Capital Adjustments Account	65,950	(582)	65,368	Store of capital resources set aside to meet past expenditure	Note 21 to the Core Financial Statements
Usable Capital Receipts	9,448	(820)	8,628	Proceeds of fixed asset sales available to meet future capital investment	Note 19 to the Core Financial Statements
Pensions Reserve	(13,046)	3,942	(9,104)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 12 to the Core Financial Statements
General Fund	3,760	(163)	3,597	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance
Strategic Reserves	5,446	(121)	5,325	Earmarked resources to provide funding for specific areas	Note 18 to the Core Financial Statements
Collection Fund	615	531	1,146	Balance held on council tax and nndr	Collection Fund Income & Expenditure Account page 53
	<b>72,173</b>	<b>8,224</b>	<b>80,397</b>		

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### 18. Movements in Revenue Reserves

	General Fund Balances £'000	Collection Fund £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
Surplus / (deficit) for 2007/08	(163)	531	-	-
Appropriations to / from revenue	-	-	(121)	367
Actuarial gains and losses relating to pensions	-	-	-	3,575
	<b>(163)</b>	<b>531</b>	<b>(121)</b>	<b>3,942</b>
<b>Balance brought forward at 1 April 2007</b>	<b>3,760</b>	<b>615</b>	<b>5,446</b>	<b>(13,046)</b>
<b>Balance carried forward at 31 March 2008</b>	<b>3,597</b>	<b>1,146</b>	<b>5,325</b>	<b>(9,104)</b>

	Balance at 1 April 2007 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance at 31 March 2008 £'000
<b>Current Balances</b>					
General Fund	3,760	39,075	(39,213)	(25)	3,597
Collection Fund	615	61,640	(61,134)	25	1,146
<b>Total Current Balances</b>	<b>4,375</b>	<b>100,715</b>	<b>(100,347)</b>	<b>0</b>	<b>4,743</b>
<b>Strategic Reserves</b>					
Insurance	625	34	(55)		604
Repairs and Renewals	870	70	(158)		782
Interest Equalisation	613	34			647
VAT Reserve	162				162
Planning Delivery Grant Reserve	209		(4)		205
Property Maintenance	198	8	(88)		118
Commuted Sums	1,965	110	(110)		1,965
Hospital Cluster Interest	122	41			163
Corporate Project Reserve	431	24			455
Section 106 Receipts	94				94
Community Safety	88	4	(31)		61
Historic Buildings	27	1	(3)		25
Local Partnership Fund	4		(1)		3
Young People Partnership Fund	12	5			17
Yell Funds	3				3
Training Reserve	22		(2)		20
<b>Total Strategic Reserves</b>	<b>5,446</b>	<b>331</b>	<b>(452)</b>	<b>0</b>	<b>5,325</b>
<b>Total Revenue Reserves</b>	<b>9,820</b>	<b>101,046</b>	<b>(100,799)</b>	<b>0</b>	<b>10,068</b>

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## Financial Statements 2007/08

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### 19. Movements in Realised Capital Resources

	<b>Usable Capital Receipts £'000</b>
Balance brought forward at 1 April 2007	<b>9,448</b>
Amounts receivable in 2007/08	164
Amounts receivable for pooled housing receipts	30
Amounts due Government Pool housing receipts	(21)
Amounts applied to finance new capital investment	(993)
<b>Total Increase (decrease) in realised capital resources</b>	<b>(820)</b>
<b>Balance Carried Forward at 31 March 2008</b>	<b>8,628</b>

The usable capital receipts reserve represents the receipts available to finance capital expenditure in future years, after setting aside the required statutory amounts for the repayment of external loans. As the authority is debt free following disposal of all housing stock, it can use 100% of the proceeds received from asset sales to finance capital expenditure.

### 20. Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve.

The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £53m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£13m credit balance) to form the new Capital Adjustment Account with a balance of £66m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

The balance on the account represents the difference between the original values of assets and their revalued amounts where appropriate. The account is written down by the net book value of assets as they are disposed of, and either debited with the deficits or credited with the surpluses arising on future revaluations.

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	Revaluation Reserve £'000
Balance brought forward at 1 April 2007	0
<b><u>Movements in unrealised value of fixed assets</u></b>	
Gains (losses) on revaluation of fixed assets in 2007/08	5,437
Impairment losses on fixed assets due to general change in prices 2007/08	-
<b>Total Increase (Decrease) in Unrealised Capital Resources 2007/08</b>	<b>5,437</b>
<b><u>Value of Assets Sold Disposed off or Decommissioned</u></b>	
Amounts written off fixed asset balances for disposals in 2007/08	0
<b>Total Movement on Account in 2007/08</b>	<b>5,437</b>
<b>Balance Carried Forward at 31 March 2008</b>	<b>5,437</b>

### 21. Movements in Amounts Capital Adjustment Account to Finance Capital Investment

The capital adjustment account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans (Provision for Credit Liabilities) and the amount of capital expenditure financed from revenue, capital grants, contributions and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid or applied to finance capital expenditure. As at 31 March 2008 the authority is debt free.

The capital contributions deferred account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset taking into account depreciation.

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Total movements in amounts set aside to finance capital investment were:

	<b>Capital Adjustment Account £'000</b>
Balance brought forward at 1 April 2007	65,950
<b><u>Capital receipts set aside in 2007/08</u></b>	
- reserved receipts	-
- usable receipts applied	993
- reserved receipts applied	-
<b>Total Capital Receipts Set Aside in 2007/08</b>	<b>993</b>
<b><u>Revenue resources set aside in 2007/08</u></b>	
- capital expenditure financed from revenue	197
- Income and Expenditure Account appropriations re deferred charges, depreciation and impairment	(2,766)
<b>Total Revenue Resources Set Aside in 2007/08</b>	<b>(2,571)</b>
<b><u>Movement on Capital Contributions Deferred</u></b>	
- grants applied to capital investment in 2007/08	994
- amounts credited to general fund	-
<b>Total Movement on Capital Contributions Deferred</b>	<b>994</b>
<b>Movement on Reserve 2007/08</b>	<b>(582)</b>
<b>Balance Carried Forward at 31 March 2008</b>	<b>65,368</b>

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# Financial Statements 2007/08

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## 22. Fixed Assets

### Fixed Asset Valuation

The Borough Council's property portfolio was valued as at 1 April 1994 with all properties subject to a rolling five year revaluation, with approximately one fifth of properties being revalued each year. Valuations carried out in 2007/08 included the Longmead Depot, various car parks including the Ashley Centre, Town Hall, Hope Lodge, Depot Road, Upper High Street and Hook Road, the Day Centres and Poole Road and Court Recreation Sports Arenas. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors. Those properties revalued in 2007/08 account for £19.874 million of the net book value of assets at 31 March 2008.

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of material improvements. There was economic impairment on six assets in 2007/08.

Properties are valued on the basis set out in the Statement of Accounting Policies on pages 9 to 17.

### Depreciation

Assets are depreciated in accordance with the requirements of Financial Reporting Standard 15 as set out in Statement of Accounting Policies on pages 9 to 17.

### Capital Expenditure

Capital expenditure of £1.9 million was incurred in 2007/08 as follows.

<b>2006/07</b> <b>£'000</b>		<b>2007/08</b> <b>£'000</b>
946	Fixed Assets	1,056
934	Deferred Charges	104
323	Intangibles	708
<b>2,203</b>	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,868</b>

Funding of capital expenditure in 2007/08 is detailed below.

<b>2006/07</b> <b>£'000</b>		<b>2007/08</b> <b>£'000</b>
1,333	Capital Reserves	993
368	Government Grants	406
14	Revenue	198
0	Grants from other Local Authorities	7
0	Big Lottery Funding	77
488	Section 106 Receipts	187
<b>2,203</b>	<b>TOTAL</b>	<b>1,868</b>

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## Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2008 amounts to £329,443 as listed below.

2006/07 £'000		2007/08 £'000
0	Bourne Hall Improvements	127
0	Alex Rec. & Court Rec. Tennis Courts	6
0	Greenlands-Cox Lane Site Improvement	174
	Air Quality Management – Ewell Village	15
0	Epsom Cemetery Enhancements	4
26	Hook Road MSCP Grilles	0
30	Town Hall Lighting	0
41	Ewell Court House Kitchen	0
7	Countryside improvements	3
<b>104</b>	<b>Total</b>	<b>329</b>

## Disposals

The Council did not dispose of any properties in 2007/08.

## Movements In Fixed Assets

A summary of the movement in fixed asset valuations and holdings during the year is detailed below.

	Land and buildings £'000	Community assets £'000	Vehicles, plant and equipment £'000	Infrastructure assets £'000	Investment properties £'000	Assets under construction £'000	Assets Surplus to Requirements £'000	Total £'000
Certified Valuation at 1 April 2007	45,491	2,627	2,180	41	16,676	0	450	<b>67,465</b>
Cumulative Depreciation	0	0	0	0	0	0	0	<b>0</b>
Cumulative Impairment	0	0	0	0	0	0	0	<b>0</b>
Net book value as at 1 April 2007	<b>45,491</b>	<b>2,627</b>	<b>2,180</b>	<b>41</b>	<b>16,676</b>	<b>0</b>	<b>450</b>	<b>67,465</b>
<b>Movement in 2007/8</b>								
Reclassifications	(327)	0	0	0	327	0	0	<b>0</b>
Additions	471	226	294	0	66	0	0	<b>1,057</b>
Disposals	0	0	0	0	0	0	0	<b>0</b>
Revaluations	5,437	0	0	0	0	0	0	<b>5,437</b>
Depreciation charged in year	(1,211)	0	(462)	0	0	0	0	<b>(1,673)</b>
Impairments	(713)	0	0	0	(50)	0	0	<b>(763)</b>
<b>Net book value as at 31 March 2007</b>	<b>49,148</b>	<b>2,853</b>	<b>2,012</b>	<b>41</b>	<b>17,019</b>	<b>0</b>	<b>450</b>	<b>71,523</b>

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Details of the Council's main property assets at 31 March 2008 is summarised below

2007		2008
3	Community and Day Centres	3
1	Leisure Centres	1
1	Cemeteries	1
3	Public Conveniences	3
1	Depots	1
1	Theatres	1
2	Public Halls	2
1	Administrative Buildings	1
35	Non-Operational Properties	37
4	Staff Housing	2
2,391	Open Space (acres)	2,391
11	Car Parks	11
1	Ebbisham Centre	1

### Valuation Information

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets.

	Land, Buildings £'000	Community Assets £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Investment Properties £'000	Surplus To Requirements £'000	Total £'000
Valued at historical cost	50	2,838	-	41	-	-	2,929
Valued at current value in:							
2002/03	-	3	-	-	-	-	3
2003/04	10,969	12	-	-	7,915	-	18,896
2004/05	6,618	53	-	-	56	450	7,173
2005/06	-	-	-	-	8,201	-	8,201
2006/07	10,943	-	-	-	520	-	11,463
2007/08	20,567	-	2,012	-	275	-	22,854
<b>Total</b>	<b>49,147</b>	<b>2,906</b>	<b>2,012</b>	<b>41</b>	<b>16,967</b>	<b>450</b>	<b>71,523</b>

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### 23. Intangible Assets

	Purchased software licences £'000	Licences / trademarks and artistic originals £'000	Patents £'000	Total £'000
Original Cost	1,067	-	-	1,067
Amortised to 1 April 2007	(453)	-	-	(453)
Balance at 1 April 2007	614	-	-	614
Expenditure in Year	104	-	-	104
Written off to revenue in year	(176)	-	-	(176)
<b>Balance at 31 March 2008</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>542</b>

Software licences are held for the contact centre, route call, housing and electronic service delivery systems. The cost of these are being written off over the four-year-life of the licences.

### 24. Long Term Debtors

Long term debtors due at 31 March 2008 relate to the balance of mortgages due on the sale of ex council sales, and the balance of staff car loans, not due within the next financial year.

2006/07 £'000		2007/08 £'000
46	Mortgages	20
49	Other	54
<b>95</b>	<b>Total</b>	<b>74</b>

### 25. Debtors

A summary of debtors due within the next financial year is detailed below.

2006/07 £'000		2007/08 £'000
2,689	Government Departments	2,592
1	Other Local Authorities	266
835	Council Tax Payers	1,059
806	Non Domestic Ratepayers	869
2,783	Other Debtors	1,784
<b>7,114</b>	<b>Total Debtors</b>	<b>6,570</b>
(612)	Less Provision for Bad Debts	(604)
<b>6,502</b>	<b>Total</b>	<b>5,966</b>

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The provision for bad debts has reduced to £604,000 as at 31 March 2008 of which 68% relates to Council Tax and Non Domestic Ratepayers, as detailed below.

2006/07 £'000		2007/08 £'000
103	General	111
338	Council Tax Payers	333
93	Non Domestic Ratepayers	80
20	Housing Rents	22
58	Housing Benefit Overpayments	58
<b>612</b>	<b>Total</b>	<b>604</b>

### 26. Stocks and Work in Progress

A summary of the stocks held at 31 March 2008 is detailed below. The Council had no works in progress in 2006/07 or 2007/08.

2006/07 £'000		2007/08 £'000
10	Other	10
<b>10</b>	<b>Total</b>	<b>10</b>

### 27. Investments

The council uses external fund managers to manage the majority of its cash backed reserves. Other surplus cash is invested in gilts and in temporary investments with other public sector authorities, major clearing banks and building societies.

Investments are included in the balance sheet at the lower of cost or market valuation and distinguished between those due for maturity within the next financial year (current asset investments) and those not due within the next year (long term investments).

A summary of investments at 31 March 2008 and comparison with 31 March 2007 are shown below.

31 March 2007			31 March 2008	
Cost £'000	Market Valuation £'000		Cost £'000	Market Valuation £'000
1,000	1,000	<b><u>Long Term Investments</u></b>		
0	0	Internally managed	2,000	2,000
		Externally managed	0	0
<b>1,000</b>	<b>1,000</b>	<b>Sub Total</b>	<b>2,000</b>	<b>2,000</b>
		<b><u>Current Asset Investments</u></b>		
4,460	4,511	Internally managed	2,660	2,660
12,300	12,588	Externally managed	12,870	12,870
<b>16,760</b>	<b>17,099</b>	<b>Sub Total</b>	<b>15,530</b>	<b>15,530</b>
<b>17,760</b>	<b>18,099</b>	<b>TOTAL INVESTMENTS</b>	<b>17,530</b>	<b>17,530</b>

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## 28. Creditors

A summary of creditors is detailed below.

2006/07 £'000		2007/08 £'000
232	Government Departments	383
106	Other Local Authorities	116
56	Council Tax and Community Charge Payers	85
406	Non Domestic Ratepayers	340
2,897	Other Creditors	3,842
<b>3,697</b>	<b>Total</b>	<b>4,766</b>

## 29. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets and are receivable over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under Long Term Debtors (see note 24).

## 30. Government Grants Deferred

2006/07 £'000		2007/08 £'000
847	Balance Brought Forward	727
19	Grants applied to capital investment	0
0	Amortised grants credited to General Fund	(309)
(139)	Amounts credited to General Fund	(119)
<b>727</b>	<b>Balance Carried Forward</b>	<b>299</b>

## 31. Capital Contributions Deferred

2006/07 £'000		2007/08 £'000
1,364	Balance Brought Forward	1,562
198	Contributions applied to capital investment	245
0	Amortised contributions credited to General Fund	(685)
<b>1,562</b>	<b>Balance Carried Forward</b>	<b>1,122</b>

## 32. Analysis of Net Assets Employed

In 2007/08 the net assets of Epsom and Ewell Borough Council were employed as follows:

2006/07 £'000		2007/08 £'000
72,173	General Fund	80,397
-	Trading Operations	-
<b>72,173</b>	<b>Total</b>	<b>80,397</b>

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### 33. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

31 March 2007			31 March 2008	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
-	5,678	Financial liabilities at amortised cost	-	4,833
-	-	Financial liabilities at fair value through profit and loss	-	-
-	<b>5,678</b>	<b>Total Borrowings</b>	-	<b>4,833</b>
1,000	24,055	Loans and receivables	2,000	21,634
-	-	Available-for-sale financial assets	-	-
-	-	Unquoted equity investments at cost	-	-
<b>1,000</b>	<b>24,055</b>	<b>Total Investments</b>	<b>2,000</b>	<b>21,634</b>

### 34. Financial Instruments Gains / Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	
	£'000	£'000	£'000	£'000
Interest expense	-	-	-	-
Loss on derecognition	-	-	-	-
Impairment losses	-	-	-	-
<b>Interest payable and similar charges</b>	-	-	-	-
Interest income	-	1,280	-	1,280
Gains on derecognition	-	-	-	-
<b>Interest and investment income</b>	-	<b>1,280</b>	-	<b>1,280</b>
Gains on revaluation			-	
Losses on revaluation			-	
Amounts recycled to the I&E Account after impairment		-	-	
<b>Surplus arising on revaluation of financial assets</b>			-	
			-	
<b>net gain/(loss) for the year</b>	-	<b>1,280</b>	-	<b>1,280</b>

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# Financial Statements 2007/08

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## 35. Nature and Extent of Risks Arising from Financial Instruments

The authority'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 authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Strategy & Resources Committee in the annual treasury management strategy. Epsom and Ewell Borough Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are only made with banks and financial institutions which are rated independently with a minimum score of [A-] rising to [AAA] for longer term investments. The authority has a policy of not lending more than £2.5 million of its surplus balances to one institution.

Counterparties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Epsom and Ewell Borough Council.

Credit risk exposure is kept to a negligible level by adhering to agreed financial policies for investments and debtors.

The authority does not generally allow credit for customers, such that £0.6m of the £1.5m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000s
Less than three months	485
Three to five months	34
More than five months	<u>116</u>
	<b>635</b>

### **Liquidity risk**

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

### **Market risk**

#### Interest rate risk

## Financial Statements 2007/08

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have an impact on the authority. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

However, interest receivable on variable rate investments will be posted to the Income and Expenditure Account and any changes in interest rates will have an impact on the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest rate risk. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest receivable on variable rate investments	(170)
<b>Impact on Income and Expenditure Account</b>	<b>(170)</b>
Decrease in fair value of fixed rate investment assets	54
<b>Impact on STRGL</b>	<b>0</b>

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

### Foreign exchange risk

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

### 36. Reconciliation of Financing and Management of Liquid Resources to Opening and Closing Balance Sheet

	31 March 2007 £'000	31 March 2008 £'000	Movement £'000
Current Asset Investments	16,760	15,530	(1,230)
Long Term Borrowing	0	0	0
<b>Net Cash Flow</b>	<b>16,760</b>	<b>15,530</b>	<b>(1,230)</b>

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### 37. Reconciliation of the Net Surplus / Deficit on the Income and Expenditure Account to the Revenue Activities Net Cash Flow in the Statement

	2007/08 £'000
<u>Movement in Fund Balances</u>	
- Surplus / (Deficit) for the year on the Income & Expenditure Account	(1,513)
- Provision for depreciation	2,436
- Deferred charges/grants	(663)
- Collection Fund	531
	791
<u>Movement in Current Assets</u>	
Decrease / (Increase) in Stocks and Work in Progress	-
Decrease / (Increase) in Debtors	1,178
Decrease / (Increase) in Payments in advance	(34)
	1,144
<u>Movement in Current Liabilities</u>	
(Decrease) / Increase in Creditors	(585)
(Decrease) / Increase in Receipts in advance	511
	(74)
<u>Items Classified in Another Classification in the Cash Flow Statement</u>	
Transfers to / (from) Reserves	(120)
Investment Income	(1,280)
<b>Net Cash Flow From Revenue Activities</b>	<b>461</b>

### 38. Reconciliation of Movement in Cash to Movement in Net Funds

	31 March 2007 £'000	31 March 2008 £'000	Movement £'000
Cash in Hand	1	1	-
Cash at Bank	(583)	476	1,059
	(582)	477	1,059
Debt due after 1 year	-	-	-
Debt due within 1 year	-	-	-
	-	-	-
Current asset investments	16,760	15,530	(1,230)
Long term investments	1,000	2,000	1,000
	17,760	17,530	(230)
<b>Net Funds / (Debt)</b>	<b>17,178</b>	<b>18,007</b>	<b>829</b>

Liquid resources are defined as cash or cash equivalents including all current asset investments which are held as readily disposable stores of value, i.e. disposable without curtailing or disrupting the authority's activities and either readily convertible into known amounts of cash at or close to its carrying amount, or traded on a active market.

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# Financial Statements 2007/08

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The Council had no net debt as at the 31st March 2008 or at any point during the year.

## 39. Other Government Grants

Cash received in the year was as follows:

	31 March 2007 £'000	31 March 2008 £'000
Council Tax Benefit	2,824	2,573
Benefit Administration Grant	342	358
Planning Delivery Grant	311	261
Recycling Grant	63	-
Concessionary Fares		35
ODPM Homelessness Grant	75	75
Community Safety Grants	27	114
Disabled Facilities Grant	207	292
Contaminated Land Grant	38	73
<b>Total</b>	<b>3,887</b>	<b>3,781</b>

## 40. Local Area Agreements

Epsom and Ewell Borough Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the final year of its three-year agreement.

The purpose of the LAA is:

- to form an agreement between the Surrey Strategic Partnership, Government (represented by Government Office South East), and other external agencies,
- to ensure that together we achieve the 2020 vision in the Surrey Community Strategy,
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement,
- to improve the effectiveness and efficiency of public services in Surrey by pooling and aligning funding streams.

The LAA partners are:

- local government bodies – Surrey County Council, Epsom & Ewell Borough Council, Elmbridge Borough Council, Guildford Borough Council, Mole Valley District Council, Reigate & Banstead Borough Council, Runnymede Borough Council, Tandridge District Council, Spelthorne Borough Council, Surrey Heath Borough Council, Waverly Borough Council, Woking Borough Council.
- external agencies - South East England Development Agency
- community protection authorities – Surrey Policy Authority, Surrey Probation Service
- health bodies – Surrey Primary Care Trust
- learning bodies – Learning and Skills Council
- voluntary organisations – Surrey Community Action, Surrey Economic Partnership, Surrey Chambers of Commerce

Surrey County Council acts as the accountable body for the LAA. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but the council does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, the council acts as an agent to the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, but only that part to be spent by the council in providing services.

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## Financial Statements 2007/08

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The total amount of LAA Grant received by the LSP in 2007/08 is £11.0 million. The council received £127,600 of this total to fund its own services.

**41. Events after Balance Sheet Date**

There have been no significant events arising after the balance sheet date of 24<sup>th</sup> June 2008 which is when the statement of accounts was put before members.

## Financial Statements 2007/08

### COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	2006/07 £'000	2007/08 £'000
Income :-		
Council Tax Income	37,860	39,106
Transfers from General Fund		
- Council Tax Benefits	2,368	2,495
Contributions		
- Adjustment of Previous Years' Collection Fund Deficit	34	25
Income Collectable from Non Domestic Ratepayers	19,805	20,039
	60,067	61,665
Expenditure :-		
Precepts and Demands	38,971	41,049
Non Domestic Rates		
- Payments to National Pool	19,713	19,949
- Costs of Collection	92	90
Bad and Doubtful Debts		
- Write Offs	42	197
- Provisions	171	(151)
	58,989	61,134
Movement on Fund Balance	1,078	531
Balance Brought Forward at 1 April	(463)	615
<b>Balance Carried Forward at 31 March</b>	<b>615</b>	<b>1,146</b>

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## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE

Band	Total Properties For Band	Proportion To Band D	Relevant Amount for Band
A	97.85	6/9 <sup>th</sup>	65.07
B	870.65	7/9 <sup>th</sup>	677.17
C	3,651.25	8/9 <sup>th</sup>	3,245.56
D	7,094.00	9/9 <sup>th</sup>	7,094.00
E	6,847.75	11/9 <sup>th</sup>	8,369.47
F	4,067.10	13/9 <sup>th</sup>	5,874.70
G	3,508.95	15/9 <sup>th</sup>	5,848.25
H	107.75	18/9 <sup>th</sup>	215.50
Aggregate of Relevant Amounts			31,389.72
Estimated Collection			99.00%
Council Tax Base			31,075.82

### 1. Non-Domestic Rates Statistics

	2006/07	2007/08
Total Non-Domestic Rateable Value at year end	£54,936,250	£54,169,510
National Non-Domestic Rate Multiplier	43.3	44.4
National Non-Domestic Rate Charged in year after allowing for reliefs and other deductions	£19,264,201	£20,144,055

### 2. Precepting Bodies

	2006/07	2007/08
	£,000	£'000
Surrey County Council	29,642	31,203
Surrey Police	5,006	5,293
Epsom & Ewell Borough Council	4,323	4,553
<b>Total Precepts on Collection Fund</b>	<b>38,971</b>	<b>41,049</b>

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### TRUST AND OTHER FUNDS AS AT 31 MARCH 2008

The Council acts as custodian trustee for the Chuter Ede Trust Fund and as administrators for seven other funds.

These funds do not represent assets of the council, and they have not been included in the Balance Sheet, as they are not available for general use by the Council.

	<b>2006/07</b>	<b>2007/08</b>
	<b>Capital Value of Fund</b>	<b>Capital Value of Fund</b>
<b>Trust Fund</b>	<b>£'000</b>	<b>£'000</b>
<b>Chuter Ede</b> Used to assist university students resident in the Borough.	31	32
<b>Other Funds</b> Total Capital Value of other funds	16	18
<b>Totals</b>	<b>47</b>	<b>50</b>