



Financial Statements 2010/11

Statement of Accounts 2010/11

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APPROVAL OF STATEMENT OF ACCOUNTS

The attached Statement of Accounts were approved by the Strategy and Resources Committee of Epsom and Ewell Borough Council (the Council), in accordance with the Council's Constitution, on 27 September 2011.

Neil Dallen
Chairman of Strategy and Resources Committee

Date: 30/9/2011

CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that the statement of accounts for the financial year 2010/11 set out on pages 36 to 93 attached, presents a true and fair view of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

J.L. Turnbull CPFA
Director of Finance

Date: 30/09/2011

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INDEPENDENT AUDITOR'S REPORT

Opinion on the Authority accounting statements

I have audited the accounting statements of Epsom and Ewell Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance Responsibilities, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Epsom and Ewell Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

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Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

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

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

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

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Epsom and Ewell Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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Certificate

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

Paul Grady
District Auditor

Audit Commission
Bridge House
1 Walnut Tree Close
Guildford
GU1 4UA

30 September 2011



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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.
2. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.
3. There have been major changes to the presentation of the accounts with effect from 2010/11. These changes are detailed below.
 - Accounts have been prepared under the International Financial Reporting Standards (IFRS).
 - Income and Expenditure is renamed as Comprehensive Income and Expenditure.
 - Some capital grants were included in the Comprehensive Income and Expenditure.
 - New Balance Sheet classifications are made.
 - Segmental accounting note has been included to show the subjective analysis of the Comprehensive Income and Expenditure. This has been reconciled to management accounting figures provided to members.
 - Properties valued this year as part of the five year rolling programme reflect the IFRS requirements for component accounting.
4. For comparative purposes, in accordance with the requirements of IFRS, all comparator figures for 2009/10 have been restated where possible and material.
5. The Council's accounts for the year 2010/11 are set out on pages 32 to 82 and have been prepared in accordance with the Code of Practice on Local Authority Accounting. The Code has been endorsed by the Local Authority Association and the Accounting Standards Board. The statements provide a concise picture of the Council's financial position for the year ended 31 March 2011 and consist of the following:

Comprehensive Income and Expenditure Account - Gross expenditure (including depreciation and impairment of non current 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;

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

Balance Sheet - which sets out the financial position in terms of assets and liabilities of the Council as at 31 March 2011;

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

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

For each of the statements, notes and supporting information is provided.

6. In addition to the above, Statement of Accounts have been included for:

Trust and Other Funds Balance Sheet - which sets out the financial position in terms of assets and liabilities as at 31 March 2011 of those funds administered by the Council.

Council Tax Accounts

7. Total precept requirements were £1,477.95 per Band D property. This comprised £1,116.36 for Surrey County Council, £198.54 for Surrey Police and £163.05 for Epsom and Ewell Borough Council. The precept levied by the Council was determined after taking account of income from nationally redistributed Business Rates of £3.66 million and Revenue Support Grant of £0.53 million. The resultant precept on the Collection Fund amounted to £5.19 million.

8. The Council achieved a council tax collection rate of 98.5% (98.0% in 2009/10). Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

General Fund Revenue Account

9. The budget for the year agreed by the Council on 16 February 2010 provided for net expenditure on General Fund services of £9.573 million with a contribution from working balance of £0.192 million resulting in a net budget requirement of £9.381 million. This represented an increase of £0.072 million in the net budget requirement compared to the previous year. The main reasons for this increase were:

	£'000	£'000
<u>Reductions in Budgeted Expenditure/Increase in Income</u>		
Salary Efficiency Savings	-300	
Increase in Fees and Charges	-209	
Service Savings options	-276	
Other Cost reductions	-147	
		-932
<u>Increases in Budgeted Expenditure/Reductions in Income</u>		
Reduction In Government grants received	209	
Reduced Income from car parks and recycling	412	
Reduction of interest income	150	
Increased Trade Waste tipping Charges	81	
Concessionary Fares	65	
		917
Reduction in Total Net Requirement		- 15
Reduced use of working balances		87
Increase in Net Budget Requirement		72

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10. Net expenditure 2010/11 by Committee is detailed below.

2009/10 Actual £'000		2010/11		
		Original Budget £'000	Actual £'000	Variance* £'000
5,724	Strategy and Resources Committee	2,221	1,951	(270)
3,170	Environment Committee	3,234	3,262	28
2,707	Social Committee	2,726	2,628	(98)
2,088	Leisure Committee	3,043	3,352	309
(3,978)	Asset Rent Landlord Account	(1,651)	(1,628)	23
9,711	TOTAL	9,573	9,565	(8)

* Individual Committee variations include changes to internal recharges.

Net expenditure 2010/11 by Subjective is detailed below.

2009/10 Actual £'000		2010/11		
		Original Budget £'000	Actual £'000	Variance* £'000
11,446	Employees	11,279	11,101	(178)
3,741	Premises related expenses	2,739	3,572	833
6,101	Supplies and services	5,829	6,369	540
679	Third Party payments	659	755	96
19,279	Transfer payments	17,399	22,286	4,887
1,329	Transport related expenses	1,586	1,493	(93)
(32,864)	Income	(29,918)	(36,011)	(6,093)
9,711	TOTAL	9,573	9,565	(8)

* Individual Committee variations include changes to internal recharges.

11. Net expenditure for the year was £8,000 less than the original estimate, which represents a minor favourable variation of 0.1% against the Council's net budget requirement.

12. 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:

2009/10 Actual £'000		2010/11		
		Original Budget £'000	Actual £'000	Variance £'000
3,656	Balance Brought Forward at 1 April 2010	3,132	3,254	122
(402)	Surplus / (Deficit) for the year	(192)	(184)	8
3,254	Balance Carried Forward at 31 March 2011	2,940	3,070	130

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Capital Expenditure

13. 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.
14. The Council spent £912,000 on capital schemes in 2010/11. A summary of expenditure by committee is shown below and the sources of funding.

2009/10		2010/11		
Actual £'000		Original Budget £'000	Actual £'000	Variance £'000
848	Strategy and Resources	380	157	(223)
512	Environment Committee	295	168	(127)
479	Social Committee	1,650	407	(1,243)
103	Leisure Committee	85	180	95
1,942	TOTAL	2,410	912	(1,498)

2009/10 £'000		2010/11 £'000
1,336	Capital Receipts	554
606	External Contributions	358
1,942	TOTAL	912
46	Revenue Contribution	49
1,988	TOTAL	961

15. The Council generated £195,000 of new capital receipts during the year.
16. The balance of the Council's usable capital reserves at 31 March 2011 is £5.8 million (compared to £6.2 million at 31 March 2010).
17. The Council has been debt free since 31 March 1994 and had no debt outstanding at any time during the year.
18. The balance of the Council's pension liability as at 31 March 2011 is £16.03 million (compared to £24.21 million at the 31 March 2010). This is a decrease of £8.18 million in the year. See note 13 for further explanation. The Council offers retirement pensions to its staff under a statutory scheme and makes contributions to pension schemes on their behalf. Although the pension benefits are not payable until employees retire, the Council has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the assets (investments) of the pension schemes and the net amount is included in the accounts as the Council's "Pensions Liability". Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, there are statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the schemes over the remaining working lives of the staff.

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Introduction of the Euro

19. 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 2011 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

20. Additional information about the accounts is available from the Director of Finance, Epsom and 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 Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the 'Accounts and Audit Regulations 2003', which, those Regulations require, to be prepared in accordance with proper accounting practices.
2. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of 'the 2003 Act'. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Debtors and Creditors

3. 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 2011 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 2011, are included at the best available estimate.
4. 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.

Accruals of Income and Expenditure

5. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
 - Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
 - Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
 - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
 - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
 - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Acquisitions and Discontinued Operations

6. Council has not acquired operations or discontinued operations (or transferred operations under machinery of government arrangements) during the financial year.

Cash and Cash Equivalents

7. Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in (specified period, no more than three months) or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
8. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

Exceptional Items

9. When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. There is no exceptional item to report during the financial year.

Charges to Revenue for Non-Current Assets

10. Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:
 - depreciation attributable to the assets used by the relevant service
 - amortisation of intangible non current assets attributable to the service.
 - revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
11. The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.
12. The council is debt free and has no external borrowing hence no adjustment needed for Minimum Revenue Provision (MRP), however, due to change in lease implications under IFRS council has to adjust for MRP.

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Employee Benefits

13. **Benefits Payable During Employment:** Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services.
14. **Termination Benefits:** Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
15. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.
16. **Post-Employment Benefits:** Employees of the Authority are members of the Local Government Pensions Scheme, administered by Surrey Pension Fund. Scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.
17. **The Local Government Pension Scheme**

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 discount rate of **5.5%** (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the Markit iBoxx Sterling Corporate Index, AA over 15 years).
- The assets of Surrey Pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - Property - market value.

The change in the net pensions liability is analysed into seven components:

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1.	Current Service Cost	The increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2.	Past Service Cost	The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years Is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3.	Interest Cost	The expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
4.	Expected Return on Assets	The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
5.	Gains or Losses on Settlements and Curtailments	The result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees is debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
6.	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 are debited to the Pensions Reserve.
7.	Contributions Paid to the Superannuation Fund	Cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

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

19. **Discretionary Benefits:** The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make

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the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Financial Instruments

20. **Financial Liabilities:** Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Council has classified some operating lease non current assets into finance lease due to the new IFRS code. Interest has been calculated using IRR method as required by the code and classified under financing and investment income and expenditure line within the Comprehensive Income and Expenditure Statement.
21. However, there are no bonds issued by the Authority in 2010/11 and no other borrowings made.
22. **Financial Assets:** Financial assets are classified into two types:
- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
 - available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.
23. **Loans and Receivables:** Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
24. However, If, the Authority has made loans to voluntary organisations at less than market rates (soft loans, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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25. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
26. Any gains and losses that arise on the de recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
27. **Available-for-Sale Assets:** Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- instruments with quoted market prices - the market price
 - other instruments with fixed and determinable payments - discounted cash flow analysis
 - equity shares with no quoted market prices - independent appraisal of company valuations.
28. Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.
29. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).
30. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.
31. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

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32. Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

33. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

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

35. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

36. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

37. **Area Based Grant:** Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Intangible Assets

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

39. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured

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reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

40. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Interests in Companies and Other Entities

41. The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. Nonsuch and Epsom and Walton Downs are considered immaterial for inclusion in group accounts.

Inventories and Long Term Contracts

42. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.
43. The Council does not hold or acquired material balances of inventories for less than their fair value.

Investment Property

44. Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
45. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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Jointly Controlled Operations and Jointly Controlled Assets

46. Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Leases

47. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

48. **Finance Leases:** Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

49. Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period). The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

50. **Operating Leases:** Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the

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leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

51. **Finance Leases:** Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

52. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve (England and Wales) in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

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

54. **Operating Leases:** Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

55. 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 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of

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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 Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

Property, Plant and Equipment

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

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

59. The Council operates a de-minimus 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.

60. **Measurement:** Assets are initially measured at cost, comprising:

- the purchase price, including any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and
- the costs of dismantling and removing the item and restoring the site on which it is located.

61. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- land and operational properties are valued at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where this

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cannot be assessed because there is no open market for the asset, the depreciated replacement cost (DRC) is used. 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 (DRC)
- assets under construction are valued on the basis of those costs incurred up to 31 March
- non-operational assets (investment properties) are valued on the basis of open market value.

63. Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Investment properties are re-valued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

65. 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.

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

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

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67. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.
68. **Depreciation:** Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:
- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
 - vehicles, plant and equipment – straight-line allocation over the useful life of the asset
69. 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.
70. **Componentisation:** An asset may consist of several different and significant physical components. Under the code, if an item of property, plant and equipment comprises two or more significant components with substantially different useful lives, then each component is treated separately for depreciation purposes, and depreciated over its own useful life.
71. **Disposals and Non-current Assets Held for Sale:** When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
72. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
73. Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new

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

Provisions, Contingent Liabilities and Contingent Assets

74. **Provisions:** Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.
75. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
76. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.
77. **Contingent Liabilities:** A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.
78. **Contingent Assets:** A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

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

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80. 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** is maintained as a general corporate contingency against additional scheme costs and to fund spend to save initiatives;
- **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 and training.

Revenue Expenditure Funded from Capital under Statute

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

VAT

82. VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Executive Remuneration

83. Remuneration is disclosed in note 5 of the Core Statement of Accounts (page 40). The number of employees in the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000 starting from £50,000 is shown. For this purpose, 'remuneration' means all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash. Also any employees who are paid more than £150,000 should be named along with job title. Further disclosure has been provided for senior posts identifying total remuneration.

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Interest Rates

84. 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.

Council Tax Income

85. **The Collection Fund:** Epsom and Ewell Borough Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect council tax and national non-domestic rates (NNDR). The funds' key features relevant to accounting for council tax in the core Statement of Accounts are:

- in its capacity as a billing authority an authority acts as an agent. The Authority collects and distributes council tax income on behalf of the major preceptors and itself.
- while the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council or paid out of the Collection Fund to major preceptors (and in turn credited to their General Funds). The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.

86. Up to 2009/10 the SORP required the council tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council, or, in the case of major preceptors, the amount that under regulation was paid from the Collection Fund to the major preceptor. From the year commencing 1 April 2009, for both Council and major preceptors, the council tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. Each major preceptor's share of the accrued council tax income would be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

87. For both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

88. Since the collection of council tax is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council taxpayers.

89. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the

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debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from council tax debtors/creditors the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

90. The Cash Flow Statement of the billing authority shall include in 'Revenue activities' cash flows only its own share of council tax net cash collected from council tax debtors in the year; and the amount included for precepts paid shall exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from council tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund shall be included as a net increase/decrease in other liquid resources.
91. The Cash Flow Statement of a major preceptor shall include the net council tax cash received from the Collection Fund in the year (i.e. precept for the year plus share of Collection Fund surplus for the previous year or less the amount paid to the Collection Fund in respect of share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from council tax debtors by the billing authority in the year shall be included as a net increase/decrease in other liquid resources.

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

92. Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
93. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
94. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events after the Balance Sheet Date

95. Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes to the Balance Sheet if it is of such materiality that disclosure is required for the fair presentation of the Statement of Accounts. The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 September 2011 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

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Heritage Assets

96. The adoption of FRS 30 Heritage Assets by the Local Authority Accounting Code of Practice requires that for the 2011/12 financial statements the authority must recognise Heritage
97. Assets, where material, as a separate class of assets, to the extent that the information is known or reasonably estimable. Methods are in place to ensure that for next year's financial statements any heritage items of a material value will be identified separately, where it is reasonable to do so.
98. There are no assets in the current carrying amount of assets in the 2010/11 financial statements expected to be reclassified as heritage assets for 2011/12.

Critical Judgements In Applying Accounting Policies

99. In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. For the purposes of the 2010/11 financial statements the Council has applied a materiality level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements.

Assumptions made about the future and other major sources of estimation uncertainty

100. The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March, 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (PP&E)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £130k for every year that useful lives had to be reduced.</p>
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries Hymans Robert provides the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the real discount rate assumption would result in an increase 8% employer liability and approximate monetary amount is £5.02m.</p> <p>However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had reduced by £8.179m. This was due to estimates being informed by experience and Government changes to link future price increases will be in line with Consumer Prices Index (CPI) rather than the Retails Price Index (RPI).</p>

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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 by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2010.
2. The Statement of Accounts 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 and publish the Statement of Accounts by 30 September 2011.

The Director of Finance in his capacity as the Section 151 Officer, is responsible for the preparation and certification 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 presents a true and fair view of the financial position of the Council at the accounting date stated and its income and expenditure for the year stated.

4. The Director of Finance is to certify that the Financial Statements present a true and fair view of the Council by 30 June 2011.
5. 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.
6. 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.

Statement of Accounts 2010/11

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 has adopted a code of corporate governance 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 the Accounts and Audit (England) Regulations 2011.

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 on-going 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 2011 and up to the date of approval of the Annual Report and statement of accounts.

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The governance framework

- A clear statement of the Council's purpose and vision is set out in its Corporate Plan. The Council's priorities for the next four years are set out in the Corporate Plan 2007-2011, which also documents the Council's role in working with its partners. The process for updating the Corporate Plan has commenced.
- To achieve its Corporate Priorities, the Council sets Key Service Priorities that are revised annually.
- 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 of conduct throughout the Council arranging training on ethical matters. The Standards Committee has procedures in place to receive complaints against Members and to determine how those complaints will be dealt with in line Standards Committee (England) Regulations made under the Local Government Act 2000.
- Employees are subject to a Code of Conduct and a number of specific policies as set out by Human Resources.
- Policy and decision making is facilitated by a 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 and reviews both Corporate and Operational Risk Registers.
- 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 carries out 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 Whistle blowing Policy for investigating complaints from members of the public and established anti-fraud and corruption arrangements.
- The Monitoring Officer has a legal obligation duty to ensure the lawfulness and fairness of decision-making.
- The Council has in place a Corporate Equality Scheme 2007-2011 (now updated 2011 – 2016) to meet the Council's statutory duties.
- The Council has approved a Team Strategy which forms part of the corporate framework for the delivery of people management aims and objectives
- In November 2008, the Council obtained IIP accreditation and has subsequently carried out a self -assessment to review and improve standards.
- The Learning and Development Strategy sets out the Council's training needs for the next three years to ensure staff have necessary skills and competencies. This covers new starters, staff, managers and Members.
- The Council has a performance management framework through which the delivery and quality of service is measured utilising a traffic lights system and through corporate performance indicators. Performance is monitored by Directors and the relevant policy Committees.

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- The Council's Communications Strategy 2010-2015 includes consultation with residents and other stakeholders.
- The Council's Consultation Strategy 2010-2015 which support's the Council's in its duty to provide information, consult and involve the community.
- The Council continues to develop a range of partnership arrangements and has reviewed the corporate governance arrangements for 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 other reports issued by the External Auditor and other review agencies and inspectorates.

Review of effectiveness

- In its terms of reference the Scrutiny Committee fulfills the role of an Audit Committee. The terms of reference state that they "monitor implementation of recommendations from external and internal audit".
- 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 2010/11 Internal Audit concluded that they are satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion on the adequacy and effectiveness of Epsom and Ewell Borough Council's arrangements.
- The Corporate Management Board made up of the Chief Executive and the Directors meet weekly to discuss matters which are of strategic and operational importance to the Council.
- The Significant Business Risks were reported to the Financial Policy Panel in September 2010.
- 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 Corporate Governance arrangements were reported to Strategy and Resources Committee on 16th November 2010.
- 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.
- 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 and the Corporate Governance Group;
 - Performance Management Information; and
 - The external auditors in their annual audit letter and other reports.

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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, Corporate Risk Group and Corporate Governance 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	As part of the 2010 Government Spending Review grant funding will reduce by £950,000 in real terms in 2011/2 and 2012/13 with further grant cuts expected in the following two years. This will significantly reduce Council funding.	Implement operational cost reductions agreed in 2011/12 budget. Prepare new Corporate and Financial Plans for 2012-2016.
2	Staffing reductions and divisional restructures implemented as part of cost reduction programme providing a risk to service resilience.	Complete implementation of changes to staff responsibilities. Review changes to operational arrangements and any impact on performance during 2011/12.
3	Investment in information technology to assist operational cost reduction plus further investment approved (e-planning, desk top virtualisation and customer services software) providing more risks to system stability and performance.	Action Plan (Key Issues Log) for existing network problems and project management for key developments in 2011/12.

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

Neil Dallen
Chairman of Strategy and Resources Committee
 30/09/2011

Frances Rutter
Chief Executive
 30/09/2011

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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

Movement in Reserve Statement

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

2010/11	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Deferred Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	(3,254)	(6,190)	(6,188)	(15)	0	(15,647)	(44,288)	(59,935)
Movement in reserves during 2010/11								
(Surplus) or deficit on the provision of services	(5,124)	0	0	0	0	(5,124)	0	(5,124)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(2,391)	(2,391)
Total Comprehensive Income and Expenditure	(5,124)	0	0	0	0	(5,124)	(2,391)	(7,515)
Adjustments between accounting basis & funding basis under regulations	5,731	0	360	4	(190)	5,905	(5,905)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	0	0
Transfers to/from Earmarked Reserves	(423)	423	0	0	0	0	0	0
Increase/Decrease in 2010/11	184	423	360	4	(190)	781	(8,296)	(7,515)
Balance at 31 March 2011	(3,070)	(5,767)	(5,828)	(11)	(190)	(14,866)	(52,584)	(67,450)

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Note: Detailed information available in note 14 and 16.

2009/10	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Deferred Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2009	(3,655)	(5,859)	(7,326)	(22)	0	(16,862)	(51,972)	(68,834)
Movement in reserves during 2009/10								0
(Surplus) or deficit on the provision of services	3,322	0	0	0	0	3,322	0	3,322
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	5,577	5,577
Total Comprehensive Income and Expenditure	3,322	0	0	0	0	3,322	5,577	8,899
Adjustments between accounting basis & funding basis under regulations	(3,252)	0	1,138	7	0	(2,107)	2,107	0
Net Increase/Decrease before Transfers to Earmarked Reserves	0	0	0	0	0	0	0	0
Transfers to/from Earmarked Reserves	331	(331)	0	0	0	0	0	0
Increase/Decrease in 2009/10	401	(331)	1,138	7	0	1,215	7,684	8,899
Balance at 31 March 2010	(3,254)	(6,190)	(6,188)	(15)	0	(15,647)	(44,288)	(59,935)

Note: Detailed information available in note 15 and 17.

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COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

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

2009/10				2010/11			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,536	(5,239)	2,297	Central Services		5,879	(5,535)	344
11,368	(5,526)	5,842	Culture Environ and Planning		12,182	(5,021)	7,161
3,025	(3,094)	(69)	Highways, Roads and Transport Services		3,079	(3,095)	(16)
17,814	(16,729)	1,085	Housing Services		19,580	(18,727)	853
1,952	(730)	1,222	Social Services		1,776	(646)	1,130
1,146	(1,037)	109	Corporate & Democratic Core		1,845	(58)	1,787
786	(77)	709	Non Distributed Costs		495	(63)	432
			*Exceptional Item		(6,385)		(6,385)
43,627	(32,432)	11,195	Cost of Services		38,451	(33,415)	5,306
		22	Other operating expenditure/(income)	9			(301)
		1,709	Financing and investment Income and expenditure	10			(420)
		(9,604)	Taxation and non-specific grant income	11			(9,709)
		3,322	(Surplus) or Deficit on Provision of services				(5,124)
		6,407	Actuarial (Gain)/Loss arising on pension fund assets & liabilities	14			(1,744)
		(830)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	24			(647)
		8,899	Total Comprehensive Income and Expenditure				(7,515)

*Exceptional Item is due to change in method of valuation on the pension liability from RPI to CPI. (see note 14)

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BALANCE SHEET AS AT 31 MARCH 2011

2008/09	2009/10			2010/11	
£'000	£'000		Notes	£'000	£'000
		Long-term Assets			
		Property, plant and equipment			
46,464	45,585	Other land and buildings	26		44,726
41	41	Infrastructure assets	26		41
3,275	3,588	Community assets	26		3,626
4,568	5,489	Vehicle & Equipment	26		4,954
54,348	54,703	Total Property, plant and equipment			53,347
17,191	16,357	Investment properties	27		17,570
339	230	Intangible Assets	28		137
68	40	Long Term Debtors	29		18
71,946	71,330	Total Long-term assets			71,072
		Current Assets			
9	11	Inventories	31		11
3,907	6,170	Short-term debtors	30		4,566
21,106	16,418	Cash and cash equivalents	38		17,711
25,022	22,599	Total Current Assets			22,288
		Current liabilities			
6,584	4,833	Short-term creditors	33		4,737
331	392	Lease Liability - Within One year	2		446
6,915	5,225	Total Current liabilities			5,183
		Long-term Liabilities			
17,918	24,206	Liability related to defined benefit pension schemes	14		16,027
1,354	2,005	Capital grants receipts in advance	42		2,536
1,947	2,558	Deferred liabilities	2		2,164
21,219	28,769	Total Long-Term Liabilities			20,727
68,834	59,935	NET ASSETS			67,450

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2008/09	Re-stated 2009/10			2010/11	
£'000	£'000	BALANCES AND RESERVES	Note	£'000	£'000
		Usable reserves			
		Balances			
3,655	3,254	General Fund	18		3,070
5,859	6,190	Earmarked reserves	18		5,767
7,326	6,188	Capital receipts reserve	21		5,828
22	15	Deferred capital receipts Reserve	22		11
0	0	Capital grants unapplied	23		190
16,862	15,647	Total Usable Reserves			14,866
		Unusable reserves			
7,671	8,310	Revaluation Reserve	24		8,967
62,093	60,191	Capital Adjustment Account	25		59,640
126	(7)	Collection Fund Adjustment Account	43		4
(17,918)	(24,206)	Pensions reserve	14		(16,027)
51,972	44,288	Total Unusable Reserves			52,584
68,834	59,935	TOTAL RESERVES			67,450

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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CASH FLOW STATEMENT

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

2009/10			2010/11
£'000			£'000
(3,322)	Net Surplus or (Deficit) on the Provision of services		5,124
(1242)	Adjustment for Net Surplus or (Deficit) on the Provision of services for non-cash movements	39	(3,934)
728	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		26
(3,836)	Net Cash Flow from operating Activities		1,216
	Cash Flow investing activities		
(62)	Intangible non current assets addition / purchase	28	(69)
(1,432)	Tangible non current assets addition / purchase		(447)
8	Proceeds from sale of tangible non current assets		0
36	Other capital payments: deferred debtors advances/ premium on early redemption of debt/Creditors		(36)
651	Capital receipts		728
280	Capital grant income due for the year		293
(519)	Net cash outflow / (inflow) from investing activities		469
	Financing Activities		
(333)	Payment for the finance Lease	2	(392)
(4,688)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	38	1,293

Cash and Cash Equivalents

	Opening Balance £'000	Closing Balance £'000	Movements £'000
2009/10	21,106	16,418	(4,688)
2010/11	16,418	17,711	1,293

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NOTES TO THE CORE STATEMENT OF ACCOUNTS

1. Cost of Services

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

2. Finance and Operating Leases

Finance Leases

Council as Lessee: The Council has acquired a number of vehicles and car parking equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2008/9 £'000	2009/10 £'000		2010/11 £'000
2,278	2,731	Vehicles, Plant, and Equipment	2,390

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle acquired by the council and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2008/9 £'000	2009/10 £'000		2010/11 £'000
331	392	Finance lease liabilities (net present value of minimum lease payments): Current	446
1,947	2,438	Finance lease liabilities (net present value of minimum lease payments): non- Current	2,164
2,316	1,713	Finance costs payable in future years – Interest	1,038
4,543	4,543	Minimum lease payments	3,648

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Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000
895	392	Not later than one year	889	446
1,805	981	Later than one year and not later than five years	921	539
1,843	1,457	Later than five years	1,838	1,625

Council as Lessor

In 2010/11 the Council received £1,083,000 in rental income from its investment properties (compared to £1,011,000 in 2009/10), all of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £17,570,000.

Lease Income	Lease Income		Lease Income
2008/09 £'000	2009/10 £'000		2010/11 £'000
1,099	1,083	Not later than one year	1,077
4,233	4,227	Later than one year and not later than five years	4,200
1,050	1,050	Later than five years	1,050
6,292	6,360	Total	6,327

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 no contingent rents were payable by the Authority (2009/10 £nil).

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Deferred Liability

An independent valuation was undertaken in 2009/10 of Nonsuch Mansion House and park. The valuer assessed the property to be valued as a liability of £240,000 due to the significant level of repairs required. The Council's share of that liability was £120,000. In 2010/11 the property was revalued and the liability was reversed.

2008/09 £'000	2009/10 £'000		2010/11 £'000
2,292	2,438	Finance lease liabilities (net present value of minimum lease payments): non- Current	2,164
0	120	Nonsuch Mansion House and park	0
	2,558	Minimum lease payments	2,164

Operating Leases

Operating Lease Liabilities		Operating Lease Liabilities
2009/10 £'000		2010/11 £'000
15	Not later than one year	117
0	Later than one year and not later than five years	0
0	Later than five years	0

3. Insurance Provisions

Epsom and Ewell Borough Council has incurred the following costs in 2010/11:

- £62,000 costs for settling claims
- £167,000 premiums payable to external insurers
- £25,000 other net costs.

The authority received £16,000 in settlements from the insurance companies in relation to these events.

Services have thus been debited with £238,000 as part of their total cost (£62k + £167k + £25k – £16k).

No amount has been appropriated to the Movement in Reserve Statement 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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4. Audit Costs

In 2010/11 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2009/10 £'000		2010/11 £'000
97	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	103
9	Fees payable to the Audit Commission in respect of statutory inspection	0
27	Fees payable to the Audit Commission for the certification of grant claims and returns	27
1	Fees payable in respect of other services provided by the appointed auditor	5
134	Balance to Income and Expenditure Account	135

£5,000 paid in 2010/11 relates to other services provided by the auditor relates to 2009/10 financial year.

5. Executive Remuneration Bands

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

No. of Staff 2009/10	Remuneration Range	No. of Staff 2010/11
2	£50,000 - £54,999	1
4	£55,000 - £59,999	5
5	£60,000 - £64,999	4
2	£65,000 - £69,999	2
1	£70,000 - £74,999	0
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
2	£90,000 - £94,999	2
1	£95,000 - £99,999	1
0	£100,000 - £104,999	0
1	£105,000 - £109,999	1
18	Total	16

Further explanation of information is included overleaf.

Statement of Accounts 2010/11

6. Executive Remuneration

Detailed remuneration information for senior employees (who are also included in Note 6) is set out below. The table on this page shows information for 2010/11 and the table on the following page shows the equivalent information for 2009/10.

2010/11	Chief Executive	Director of Operations	Director of Finance	Director of Human Resources	Head of Legal Services	
					Permanent post holder	Temporary Officer
<i>all figs. £'000</i>						
Salary	101	85	85	81	42	9
Bonuses	0	2	2	0	0	0
Expenses Allowances	4	3	3	3	0	0
Compensation for loss of office	0	0	0	0	0	0
Other Benefits	7	0	7	7	4	0
Total remuneration excluding Pension contributions	112	90	97	91	46	9
Pension Contributions	15	13	13	13	6	0
Total remuneration including pension contributions 2010/11	127	103	110	104	52	9

Notes:

Head of Legal Services post was temporarily filled until 4 June 2010, the new permanent Head of Legal Services started on 1 July 2010.

Detailed Remuneration Information for the Previous Financial Year

2009/10	Chief Executive		Director of Operations	Director of Finance	Director of Human Resources	Head of Legal Services	
	Permanent post holder	Temporary Officer				Permanent post holder	Temporary Officer
<i>all figs. £'000</i>							
Salary	24	97	86	84	78	41	12
Bonuses	0	0	6	6	5	0	0
Expenses Allowances	1	3	3	3	3	1	0
Compensation for loss of office	27	0	0	0	0	0	0
Other Benefits	2	4	0	7	7	2	1
Total remuneration excluding Pension contributions	54	104	95	100	93	44	13
Pension Contributions	3	14	13	13	12	5	0
Total remuneration including pension contributions 2010/11	57	118	108	113	105	49	13

Notes :

Chief Executive permanent post holder was employed to 31 July 2009 and retired due to ill health.

Seconded Chief Executive post holder who was covering the job for the sickness period was permanently appointed in November 2009.

Head of Legal Services post was vacant from 6 November 2009. The post was covered by a temporary staff member from 23 November 2009.

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7. Members' Allowances

The total amount of Members' allowances paid in 2010/11 was £159,000 (The same amount £159,000, was paid in 2009/10).

	Members	Amount (£)
Basic Allowance	38	3,308.31
SPECIAL RESPONSIBILITY ALLOWANCES		
Committee Chairmen		
Strategy and Resources	1	1,654.16
Environment	1	1,654.16
Social	1	1,654.16
Leisure	1	1,654.16
Licensing	1	1,654.16
Planning	1	1,654.16
Scrutiny	1	1,654.16
Standards	1	827.08
Panel Chairmen		
Financial Policy	1	827.08
Human Resources	1	827.08
Health Liaison	1	827.08
Other Chairmen		
Planning Policy Sub Committee	1	827.08
Epsom and Walton Downs Conservators	1	827.08
Nonsuch Park JMC	1	827.08
Membership of Planning Committee	13	827.08
Vice Chairman of Planning Committee	1	413.54
Other posts		
Majority Group Leader or Chairman	1	827.08
Minority Group Leaders	2	827.08
Deputy Mayor	1	827.08
Independent co-optee on Standards Committee	3	413.54

- A Councillor may only receive one Special Responsibility allowance unless one of those allowances is for membership of the Planning Committee.
- A Vice Chairman may receive payment at the same rate as the Chairman if required to stand in for him/her during an absence of a month or more for the period of his her absence.
- Any Advisory Panels, set up during a municipal year will not be included in the scheme until re-constituted at the following Annual Council meeting.
- Travel expenses and subsistence will only be reimbursed for pre-approved attendance at conferences and seminars or other official Council business outside the Borough where reimbursement will be at the officer rate up to a maximum allowed under the Inland Revenue scheme. All other travel, subsistence and necessary costs are covered by the scheme of allowances.
- A payment equivalent to the national minimum wage may be made to Councillors to cover child-care or dependent care.

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- Allowances to be varied in May each year following the Annual Council Meeting in accordance with the preceding March RPI change.

Note: The scheme has been revised from May 2011.

8. Related Parties

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

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework, within which the Authority operates. Central government provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). 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.

Members of the council have direct control over the council's financial and operating policies.

During 2010/11 the Council made grant payments of £136,000 to four voluntary organisations in which a total of six 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.

Organisation	Payments made 2010/11 £'000	Councillor
Age Concern	20	Nigel Pavey
Citizen Advisory Bureau	86	Eber Kington Clive Smitheram Alan Wingworth Ruby Smith
Community Volunteer Service	28	Ruby Smith
Epsom and Ewell Access Group	2	David Buxton
Total Grants	136	

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Epsom and Ewell Borough Council made payments to the two organisations below in 2010/11 in which a total of nine Members had an interest.

Organisation	Payments made 2010/11 £'000	Councillor
Epsom & Walton Down Conservators	193	Jean Smith Teresa Cass Chris Long Jan Mason Mike Richardson Jean Steer
Nonsuch Joint Management Committee	91	Nigel Pavey Ruby Smith David Wood

9. Other Operating expenditure

2009/10 £'000		2010/11 £'000
4	Payments to the Government Housing Capital Receipts Pool	3
18	(Gains) /Losses on the disposal of non-current assets	(304)
22	Total	(301)

10. Financing and Investment Income and Expenditure

2009/10 £'000		2010/11 £'000
412	Interest payable and similar charges	503
1,289	Pensions interest cost and expected return on pensions assets	323
818	Movement in Investment properties	(968)
(810)	Interest receivable and similar income	(278)
1,709	Total	(420)

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11. Taxation and Non Specific Grant Incomes

2009/10 £'000		2010/11 £'000
5,006	Council tax income	5,201
3,388	Non domestic rates	3,660
902	Non ring-fenced government grants	531
308	Capital grants and contributions	317
9,604	Total	9,709

12. Amounts Reported for Resource Allocation Decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Committee on the basis of budget reports analysed across Committee. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year expenditure on some support services is budgeted for centrally and not charged to Committee.

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2010/11	Environment Committee £'000	Leisure Committee £'000	Social Committee £'000	Strategy and Resources £'000	Asset Rent £'000	Grand Total £'000
Fees, Charges and Other Service income	(4,929)	(1,636)	(1,344)	(2,213)	(1,709)	(11,831)
Government Grants and contributions	(468)	(653)	(484)	(22,443)	0	(24,048)
	(5,397)	(2,289)	(1,828)	(24,656)	(1,709)	(35,879)
Employees	3,083	1,272	1,619	5,127	0	11,101
Other Operating expenses	3,890	3,335	2,108	25,118	0	34,451
Support services Recharges	1,588	873	742	(3,295)	0	(92)
	8,561	5,480	4,469	26,950	0	45,460
Cost of Services	3,164	3,191	2,641	2,294	(1,709)	9,581

Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2010/11		£000's
Cost of Services in Service Analysis		9,581
Net expenditure of services and support services not included in the Analysis		0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis		(5,191)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement		916
Cost of Services on Comprehensive Income and Expenditure Statement		5,306

Values 2010/11	Service Expenditure £'000	Services not in analysis £'000	Not Reported to management £'000	Reported to management Not Included in Net cost of services £'000	Net Cost of services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service income	(11,831)	0	0	0	(11,831)	0	(11,831)
Interest and Investment income	0	0	0	0	0	(278)	(278)
Income from Council Tax	0	0	0	0	0	(5,190)	(5,190)
Government Grants and contributions	(24,048)	0	0	0	(24,048)	(4,865)	(28,913)
	(35,879)	0	0	0	(35,879)	(10,333)	(46,212)
Employees	11,101	0	0	0	11,101	0	11,101
Other Operating expenses	34,432	(383)	(6,104)	504	28,449	(120)	28,329
Support services Recharges	(92)	0	18	0	(74)	0	(74)
Depreciation, amortisation and Impairment	0	0	0	1,709	1,709	0	1,709
Contribution to Housing Pool	0	0	0	0	0	3	3
(Profit)/ Loss on sale of non current assets	0	0	0	0	0	20	20
	45,441	(383)	(6,086)	2,213	41,185	(97)	41,088
(Surplus) or Deficit on Provision of services 2010/11	9,562	(383)	(6,086)	2,213	5,306	(10,430)	(5,124)

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2009/10	Environment Committee £'000	Leisure Committee £'000	Social Committee £'000	Strategy and Resources £'000	Asset Rent £'000	Grand Total £'000
Fees, Charges and Other Service income	(4,879)	(1,685)	(1,245)	(2,387)	0	(10,196)
Government Grants and contributions	(475)	(781)	(676)	(20,653)	0	(22,585)
	(5,354)	(2,466)	(1,921)	(23,040)	0	(32,781)
Employees	2,761	1,184	1,453	5,065	0	10,463
Other Operating expenses	3,126	3,141	1,928	23,952	(3,978)	28,169
Support services Recharges	2,636	229	1,247	(253)	0	3,859
	8,523	4,554	4,628	28,764	(3,978)	42,491
Cost of Services	3,169	2,088	2,707	5,724	(3,978)	9,710

Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2009/10

	£000's
Cost of Services in Service Analysis	9,710
Net expenditure of services and support services not included in the Analysis	341
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(823)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	3,857
Cost of Services on Comprehensive Income and Expenditure Statement	13,085

Values 2009/10	Service Expenditure £'000	Services not in analysis £'000	Not Reported to management £'000	Reported to management Not Included in Net cost of services £'000	Net Cost of services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service income	(10,196)	0	0	0	(10,196)	0	(10,196)
Interest and Investment income	0	0	0	0	0	(804)	(804)
Income from Council Tax	0	0	0	0	0	(5,006)	(5,006)
Government Grants and contributions	(22,585)	0	0	0	(22,585)	(4,597)	(27,182)
	(32,781)	0	0	0	(32,781)	(10,407)	(43,188)
Employees	10,463	0	0	0	10,463	0	10,463
Other Operating expenses	28,169	(322)	219	(500)	27,566	622	28,188
Support services Recharges	3,859	0	0	0	3,859	0	3,859
Depreciation, amortisation and Impairment	0	0	0	3,978	3,978	0	3,978
Contribution to Housing Pool	0	0	0	0	0	4	4
(Profit)/ Loss on sale of non current assets	0	0	0	0	0	18	18
	42,491	(322)	219	3,478	45,866	644	46,510
(Surplus) or Deficit on Provision of services 2009/10	9,710	(322)	219	3,478	13,085	(9,763)	3,322

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13. Investment Income

Interest and investment income for the year amounted to £278,000, with the average rate of return achieved of 1.2% (compared to 3.44% in 2009/10). An analysis of this income and how it was distributed is shown below.

2009/10 £'000		2010/11 £'000
45	Other Investments (internally managed)	24
765	Other Investments (externally managed)	254
810	Total Interest and Investment Income	278
810	Income credited to General Fund	520
150	Income credited to revenue reserves	53
23	Income credited to other accounts	10
(173)	Contribution from Interest equalisation reserve	(305)

14. 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 pension 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 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 Comprehensive Income and Expenditure Account and Statement of Movement in Reserves Statement during the year:

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2008/09 £'000	2009/10 £'000		2010/11 £'000
		Comprehensive Income and Expenditure Statement	
		Net Cost of Services:	
791	759	Current service cost	1,237
0	0	Past service gain/Cost	(6,385)
0	0	Curtailement and settlements	32
		Financing and Investment Income and Expenditure	
3,376	3,267	Interest cost	3,403
(2,887)	(1,978)	Expected return on assets in the scheme	(3,080)
1,280	2,048	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(4,793)
		Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
0	(607)	Actuarial Gains and Losses	0
8,723	6,407		(1,744)
10,083	7,848	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(6,537)
		Movement in Reserves Statement	
		Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	
1,641	(2,048)		4,794
1,554	1,572	Employers' contributions payable to scheme	1,641

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £1,744,000.

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has in the long-run to pay retirement benefits. The total reduced liability of £8.179 m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £16.027 million. The pension liability is 24% of the balance sheet net value in 2010/11 compared to 41% in 2009/10.

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. In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £1.744 million (actuarial losses of £6.407 million in 2009-10) were included in the Comprehensive Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2011 are as follows:

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Reconciliation of Present value of Scheme Assets and Liabilities

2008/09 £'000	2009/10 £'000		2010/11 £'000
(49,997)	(48,069)	1st April	(67,205)
(791)	(759)	Current service cost	(1,237)
(3,376)	(3,267)	Interest cost	(3,403)
(402)	(468)	Contribution by members	(467)
3,836	(17,321)	Actuarial (losses) / gains	2,887
0	0	Past service (costs)/ gains	6,385
0	0	Entity combinations	0
0	0	Losses/ (gains) on curtailments	(32)
123	119	Unfunded benefits paid	115
2,303	2,560	Benefits paid	2,372
(48,665)	(67,205)	Estimates Liabilities in scheme 31 March	(60,584)
40,893	30,746	1st April	42,999
2,887	1,978	Expected rate of return	3,080
402	468	Contributions by members	467
1,427	1,453	Contributions by employer	1,526
123	119	Contributions in respect unfunded benefits	115
0	0	Entity Combinations	0
(12,559)	10,914	Actuarial gains/(losses)	(1,143)
(123)	(119)	Unfunded Benefits paid	(115)
(2,303)	(2,560)	Benefits paid	(2,372)
(30,747)	42,999	Estimates assets in scheme 31 March	44,557
(17,918)	(24,206)	Net asset / (liability) 31 March	(16,027)

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

Actual Return on Scheme Assets as per Actuaries

2008/09 £'000	2009/10 £'000		2010/11 £'000
(9,554)	12,892	Actual return as per actuaries	3,826

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Scheme History

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present value of liabilities:					
Local Government Pension Scheme	(55,836)	(49,398)	(48,665)	(67,205)	(60,585)
Fair Value of Assets:					
Local Government Pension Scheme	43,327	40,893	30,747	42,999	44,558
Total	(12,509)	(8,505)	(17,918)	(24,206)	(16,027)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total reduced liability of £8.179 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £16.027 million. 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 (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £1.415m.

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Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit 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 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 2011.

The main assumptions used in their calculations have been:

2009/10		2010/11
	Long-term expected rate of return on assets in the scheme:	
7.80%	Equity investments	7.5%
5.80%	Property	5.5%
5.00%	Bonds	4.9%
4.80%	Cash	4.6%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.7 years	Men	21.9
26.1 years	Women	24.00
	Longevity at 65 for future pensioners:	
24.8 years	Men	23.9
28.3 years	Women	25.9
3.80%	Rate of inflation	2.8%
5.30%	Rate of increase in salaries	5.1%
3.80%	Rate of increase in pensions	2.8%
5.50%	Rate for discounting scheme liabilities	5.5%
25.00%	Take-up of option to convert annual pension into retirement lump sum	25.00%

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:

Percentage of Funds Assets		Percentage of Funds Assets
75%	Equity Investments	76%
17%	Bonds	16%
6%	Property	5%
2%	Cash	3%
100%		100%

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History of experience gains and losses (Actuarial Gains and Losses):

The actuarial gains and losses identified as movements on the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between the expected and actual return on assets	0.0	(4)	22	25	3
Experience gains and losses on liabilities	0.4	(3.96)	0.02	(0.02)	7.08

Movement in net pension liability:

2009/10 £'000	2009/10 £'000		2010/11 £'000
(9104)	(17,918)	Opening Balance	(24,206)
(791)	(759)	Current Service Costs	(1,237)
(361)	0	Past Service gains/(Costs)	6,385
0	607	Adjustment made to past Liability	0
0	0	Curtailments	(32)
(3,379)	(3,267)	Interest Costs	(3,403)
2,887	1,978	Return on Assets	3,080
1,554	1,560	Employer Contributions	1,642
(8,724)	(6,407)	Actuarial Gains / (Losses)	1,744
(17,918)	(24,206)	Closing Balance	(16,027)

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15. Adjustments between Accounting Basis and Funding Basis under Regulations

2010/11	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance Including Ear marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
Balance B/F	(9,444)	(6,203)	0	(44,288)
Surplus for the year	(5,124)			(2,391)
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive I&E				
Charges for depreciation and impairment of non-current assets	(1,973)			1,973
Revaluation losses on Property Plant and Equipment	0			0
Movements in the market value of Investment Properties	968			(968)
Amortisation of intangible assets	(162)			162
Capital grants and contributions applied	(127)			127
Revenue expenditure funded from capital under statute	(116)			116
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	(301)			301
Insertion of items not debited or credited to the Comprehensive I&E				
Statutory provision for the financing of capital investment _Lease MRP	441			(441)
Capital expenditure charged against the General Fund				
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comp I&E	190		(190)	
Application of grants to capital financing transferred to the Capital Adjustment Account	158			(158)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	182	(182)		
Use of the Capital Receipts Reserve to finance new capital expenditure		554		(554)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals		0		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(3)	3		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(11)		11
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 14)	4,793			(4,793)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,642			(1,642)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	11			(11)
Other Adjustments	28			(28)
Total Adjustments	5,731	364	(190)	(5,905)
Balance C/F	(8,837)	(5,839)	(190)	(52,584)

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2009/10	Usable Reserves			
	General Fund Balance Including Ear marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Balance B/F	(9,514)	(7,348)	0	(51,972)
Surplus for the year	3,322			5,557
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive I&E				
Charges for depreciation and impairment of non-current assets	(2,407)			2,407
Revaluation losses on Property Plant and Equipment	0			0
Movements in the market value of Investment Properties	(1,069)			1,069
Amortisation of intangible assets	(137)			137
Capital grants and contributions applied	71			(71)
Revenue expenditure funded from capital under statute	(196)			196
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	(103)			103
Insertion of items not debited or credited to the Comprehensive I&E				
Statutory provision for the financing of capital investment _Lease MRP	333			(333)
Capital expenditure charged against the General Fund	(46)			46
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comp I&E			0	
Application of grants to capital financing transferred to the Capital Adjustment Account	304			(304)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		1,134		(1,134)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals		0		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(4)	4		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		7		(7)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 14)	(1,441)			1,441
Employer's pensions contributions and direct payments to pensioners payable in the year	1,560			(1,560)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(133)			133
Other	16			(15)
Total Adjustments	(3,252)	1,145	0	2,107
Balance C/F	(9,444)	(6,203)	0	(44,288)

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16. Revenue Expenditure funded from Capital under Statute

A net contribution of £49,000 was set aside from revenue to finance capital expenditure in 2010/11 compared to a £46,000 contribution in 2009/10.

Revenue Expenditure funded from Capital under Statute is capital expenditure incurred on improvements to assets not owned by the authority, improvement grants or other areas where no tangible Non Current 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.

Revenue Expenditure funded from Capital under Statute in summary for 2010/11

2009/10 £'000		2010/11 £'000
494	Revenue Expenditure funded from Capital under Statute	445
(298)	Written Off	(329)
	Less Government Grant Funding	
196		116
171	Add Intangible Charges Written Off	162
367	Transfer from Capital Adjustment Account	278

A summary of Revenue Expenditure funded from Capital under Statute for 2010/11 is shown below

Expenditure less Amounts w/off 2009/10		Balance brought forward 1 April 2010	Expenditure 2010/11	Amounts written off 2010/11	Balance carried forward 31 March 2011
£'000		£'000	£'000	£'000	£'000
0	Improvement Grants	0	329	(329)	0
0	Other	0	116	(116)	0
0	TOTAL	0	445	(445)	0

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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.

	Re-stated	Net			
	Balance	Movement	Balance		
	2009/10	in Year	2010/11		
Reserve	£'000	£'000	£'000	Purpose of Reserve	Further Detail of Movements
General Fund	3,254	(184)	3,070	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement
Strategic Reserves	6,190	(423)	5,767	Earmarked resources to provide funding for specific areas	Note 18 /19 to the Core Statement of Accounts
Capital Receipts Reserve	6,188	(360)	5,828	Proceeds of Non Current Asset sales available to meet future capital investment	Note 21 to the Core Statement of Accounts
Capital Grants Unapplied Reserve	0	190	190	Grants received for capital purpose have restriction and will be used in the future	Note 23 to the Core Statement of Accounts
Deferred Capital receipts reserve	15	(4)	11	Sale of non current assets made in the past and the receipts in the form of mortgages.	Note 22 to the Core Statement of Accounts
Total usable Reserve	15,647	(781)	14,866		
Revaluation Reserve	8,310	657	8,967	Store of gains on revaluation of non current assets not yet realised through sales	Note 24 to the Core Statement of Accounts
Capital Adjustments Account	60,191	(551)	59,640	Store of capital resources set aside to meet past expenditure	Note 25 to the Core Statement of Accounts
Collection Fund Adjustment Account	(7)	11	4	Balance held on council tax and NNDR	Note 43 to the Core Statement of Accounts
Pensions Reserve	(24,206)	8,179	(16,027)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 14 to the Core Statement of Accounts
Total unusable Reserve	44,288	8,296	52,584		
	59,935	7,515	67,450		

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18. Movements in Revenue Reserves

	General Fund Balances	Collection Fund Adjustment Account	Earmarked Revenue Reserves	Pensions Reserve
	£'000	£'000	£'000	£'000
Surplus / (deficit) for 2010/11	(184)	11	0	0
Appropriations to / from revenue	0	0	(423)	6,435
Actuarial gains and losses relating to pensions	0	0	0	1,744
Balance brought forward at 1 April 2010	3,254	(7)	6,190	(24,206)
Balance carried forward at 31 March 2011	3,070	4	5,767	(16,027)

	Re-stated Balance at 1 April 2010 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance at 31 March 2011 £'000
Current Balances					
General Fund	3,254	0	0	(184)	3,070
Collection Fund Adjustment Account	(7)	0	0	11	4
Total Current Balances	3,247	0	0	(173)	3,074
Strategic Reserves					
Insurance	593	7	0	0	600
Repairs and Renewals	712	53	(38)	0	727
Interest Equalisation	963	0	(305)	0	658
VAT Reserve	148	0	0	0	148
Planning Delivery Grant Reserve	500	0	0	0	500
Property Maintenance	244	3	(4)	0	243
Commuted Sums	1,965	24	(24)	0	1,965
Hospital Cluster Interest	213	3	0	0	216
Corporate Project Reserve	699	7	(172)	0	534
Community Safety	96	11	0	0	107
Historic Buildings	25	0	0	0	25
Local Partnership Fund	3	6	0	0	9
Young People Partnership Fund	26	6	0	0	32
Yell Funds	3	0	0	0	3
Total Strategic Reserves	6,190	120	(543)	0	5,767
Total Revenue Reserves	9,437	120	(543)	(173)	8,841

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19. Contributions To / From Strategic Revenue Reserves

A net contribution of £423,000 was made from Strategic Revenue Reserves to the General Fund in 2010/11 (compared to a net contribution of £331,000 from the General Fund in 2009/10).

20. Capital Financing Requirement

	2009/10 £'000	2010/11 £'000
Opening Capital Financing Requirement	0	0
Capital investment		
Property, Plant and Equipment	4,162	622
Investment Properties		
Intangible Assets	62	69
Revenue Expenditure Funded from Capital under Statute	494	445
Sources of finance		
Capital receipts	(1,336)	(553)
Government grants and other contributions	(606)	(359)
Sums set aside from revenue:		
Direct revenue contributions	(46)	(49)
Finance lease identified under IFRS	(2,730)	(175)
Closing Capital Financing Requirement	0	0
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)		
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	0	0

Note: There is no closing capital financing requirement for the Council. For the purpose of the CFR, leases that are now reclassified under IFRS as finance leases are not treated as debt requiring financing.

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21. Usable Capital Receipts Reserve

	Usable Capital Receipts £'000
Balance brought forward at 1 April 2010	6,188
Amounts receivable in 2010/11	15
Amounts receivable for pooled housing receipts	182
Amounts due Government Pool housing receipts	(3)
Amounts applied to finance new capital investment	(554)
Total Increase (decrease) in realised capital resources	(360)
Balance carried forward at 31 March 2011	5,828

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.

22. Deferred Capital Receipts Reserve

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 homes, which form the main part of mortgages under Long Term Debtors (see note 29).

23. Capital Grants unapplied

Capital grants unapplied under reserve is the amount of capital grants receivable which met the condition imposed or have restriction in usage but not yet used. If the grants received and not met the condition then it will be shown in the liability under capital grants unapplied.

24. Revaluation Reserve

The Revaluation Reserve records the net gain (if any) from revaluations made after 1 April 2007. Unrealised (gains)/losses occur when non current assets are revalued. If an asset is revalued at an increased amount over the current net book value in the Balance Sheet, then there is an unrealised gain. If the asset is revalued below its net book value, then there is an unrealised loss. However, when the review of an asset value reveals a reduction, it is necessary to determine whether impairment has occurred, either because of general price decreases or because of the clear consumption of the economic benefits of the assets.

The main reason for this to ensure that non current assets are recorded in the Statement of Accounts at no more than their recoverable amount and any resulting impairment loss is measured and recognised on a consistent basis.

All non current assets 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,

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this is normally charged to the relevant service revenue account.

In the event that the relevant asset has a balance in the Revaluation Reserve, the decrease in value is written off against any revaluation gains held, with any excess charged to the relevant service revenue account. Where an impairment loss is charged against gains in the Revaluation Reserve for that asset, the amount up to the value of the balance in the Revaluation Reserve is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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.

2009/10 £000		2010/11 £000	
7,671	Balance at 1 April 2010		8,310
830	Upward revaluation of assets	993	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(346)	
830	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		647
(191)	Difference between fair value depreciation and historical cost depreciation	10	
0	Accumulated gains on assets sold or scrapped	0	
(191)	Amount written off to the Capital Adjustment Account		10
8,310	Balance at 31 March 2011		8,967

25. Movements in Amounts Capital Adjustment Account to Finance Capital Investment

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 24 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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

2009/10 £'000		2010/11 £'000
(62,093)	Balance brought forward at 1 April 2010	(60,191)
(21)	Adjustment to Balance brought forward	(8)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
2,658	- charges for depreciation and impairment of non-current assets	1,973
0	- revaluation losses on property, plant & equipment	0
137	- amortisation of intangible assets	162
196	- revenue expenditure funded from capital under statute	116
103	- amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	301
3,094	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2010/11	2,552
(59,020)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(57,647)
	<u>Capital Financing Applied in the Year</u>	
(1,336)	- use of the Capital Receipts Reserve used to finance new expenditure	(554)
(275)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(31)
(378)	- capital expenditure charged against the General Fund	(440)
(1,989)	Total Capital Financing Applied in 2010/11	(1,025)
818	- movements in the market value of Investment Properties debited or credited to the Comprehensive Income and expenditure Account	(968)
0	- movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
(60,191)	Balance Carried Forward at 31 March 2011	(59,640)

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26. Non current assets

Non Current 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, apart from investment properties which are valued annually. Valuations carried out in 2010/11 included the Longmead & Nonsuch Trading Estates, Longmead Depot, Public Conveniences, Nonsuch Mansion, Poole Road Harrier Centre, Cox Lane Day Centre and for the first time and Longrove Pavilion. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors. Those properties revalued in 2010/11 account for £21,285 million of the net book value of assets at 31 March 2011.

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of any material improvements. There was economic impairment on five assets in 2010/11.

Properties are valued on the basis set out in the Statement of Accounting Policies on pages 9 to 25.

Depreciation

Assets are depreciated in accordance with the requirements of IAS 16 and IAS36 as set out in Statement of Accounting Policies on pages 9 to 25.

Capital Expenditure

Capital expenditure of £0.961 million was incurred in 2010/11 as follows:

2009/10 £'000		2010/11 £'000
1,432	Non current assets	447
62	Intangibles	69
494	Revenue Expenditure funded from Capital under Statute written off	445
1,988	TOTAL CAPITAL EXPENDITURE	961

Funding of capital expenditure in 2010/11 is detailed below.

2009/10 £'000		2010/11 £'000
1,336	Capital Reserves	553
548	Government Grants	278
46	Revenue	49
0	Grants from other Local Authorities	49
0	Contributions from other bodies	9
58	Section 106 Receipts	23
1,988	TOTAL CAPITAL FUNDING	961

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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 2011 amounts to £215,514 as listed below.

2009/10 £'000		2010/11 £'000
0	Car Park Signage	2
0	Ashley Centre Car Park	2
0	MSCP Energy Efficiency	1
0	Telephone Switch Replacement	1
5	Court Recreation Ground Play Facility	0
11	Waste Containers	3
44	Electronic Service Delivery	15
10	Longmead Depot Adaptations	1
0	Rosebery Park Upgrade	1
70	TOTAL CAPITAL COMMITMENTS	26

Disposals

The Council disposed of the Mayor's car in 2010/11 for £5,000.

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Movements on Non current assets – Property, Plant & Equipment

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1st April 2010	53,858	6,945	41	3,588	0	0	64,432
Additions	127	457	-	38	-	-	622
Revaluation movement recognised in the Revaluation Reserve	661	-	-	-	-	-	661
Revaluation movement recognised in the Surplus/Deficit on the Provision of Service	-213	-	-	-	-	-	-213
Derecognition - disposals	-	-33	-	-	-	-	-33
Derecognition - other	-	-265	-	-	-	-	-265
Assets reclassified	-374	-	-	-	-	-	-374
Gross Book Carrying Value at 31 March 2011	54,059	7,104	41	3,626	0	0	64,830
Accumulated Impairment & Depreciation as at 1st April 2010	-8,273	-1,456	0	0	0	0	-9,729
Depreciation charge for the year	-1,207	-971	-	-	-	-	-2,178
Depreciation written out to the Revaluation Reserve	102	-	-	-	-	-	102
Depreciation written out to the Surplus/Deficit on the Provision of Service	45	277	-	-	-	-	322
Accumulated Impairment & Depreciation as at 31st March 2011	-9,333	-2,150	0	0	0	0	-11,483
TOTAL NET CARRYING BOOK VALUE at 31st March 2011	44,726	4,954	41	3,626	0	0	53,347

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TOTAL NET CARRYING BOOK VALUE at 1st April 2010	45,585	5,489	41	3,588	0	0	54,703
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TANGIBLE NON CURRENT ASSETS	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1st April 2009	52,891	5,276	41	3,275	0	0	61,483
Additions	247	1753	-	316	-	-	2,316
Revaluation movement recognised in the Revaluation Reserve	720	-	-	1	-	-	721
Revaluation movement recognised in the Surplus/Deficit on the Provision of Service		-	-	-	-	-	0
Derecognition - disposals	-	-84	-	-	-	-	-84
Derecognition - other	-	0	-	-	-	-	0
Assets reclassified		-	-	-4	-	-	-4
Gross Book Carrying Value at 31 March 2010	53,858	6,945	41	3,588	0	0	64,432
Accumulated Impairment & Depreciation as at 1st April 2009	-6,427	-708	0	0	0	0	-7,135
Depreciation charge for the year	-1,846	-818	-	-	-	-	-2,664
Depreciation written out to the Revaluation Reserve	0	-	-	-	-	-	0
Depreciation written out to the Surplus/Deficit on the Provision of Service	0	70	-	-	-	-	70
Accumulated Impairment & Depreciation as at 31st March 2010	-8,273	-1,456	0	0	0	0	-9,729
TOTAL NET CARRYING BOOK VALUE at 31st March 2010	45,585	5,489	41	3,588	0	0	54,703

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TOTAL NET CARRYING BOOK VALUE at 1st April 2009	46,464	4,568	41	3,275	0	0	54,348
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Depreciation

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

- Other Land and Buildings – 17 to 49 years
- Vehicles, plant and equipment – 4 to 10 years

Componentisation

When valuing the assets for the five-year rolling programme, the Valuer considered component accounting. There were no significant components identified or substantial differences in the useful lives of the components.

Revaluations

The authority carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Analysis of Revaluations of Non current assets	Other Land and Buildings	Vehicle Plant and Equipment	Community Assets	Infrastructure Assets	Surplus Assets	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical cost	0	0	3,626	41	0	3,667
Valued at fair value as at:						
31 March 2011:	2,156	3,949	0	0	0	6,105
31 March 2010	13,114	265	0	0	0	13,379
31 March 2009	11,927	182	0	0	0	12,109
31 March 2008	17,529	0	0	0	0	17,529
31 March 2007	0	558	0	0	0	558
Value at 31 March 2011	44,726	4,954	3,626	41	0	53,347

Details of the Council's main property assets at 31 March 2011 are summarised below:

2009/10		2010/11
4	Community and Day Centres	2
1	Leisure Centres	1
1	Cemeteries	1
3	Public Conveniences	1
1	Depots	1
1	Theatres	1
2	Public Halls	2
1	Administrative Buildings	1

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43	Non-Operational Properties	46
3	Staff Housing	3
2,641	Open Space (acres)	2,641
11	Car Parks	11
1	Ebbisham Centre	1

27. Investment Properties

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

2009/10		2010/11
£'000		£'000
1,056	Rental income from investment property	1,253
(152)	Direct operating expenses arising from investment property	(176)
904	Net gain/(loss)	1,077

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

The following table summarise the movement in the fair value of investment properties over the year.

2009/10 £'000		2010/11 £'000
17,191	Balance at the start of the year	16,237
	Additions	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
(120)	Other	0
(20)	Disposals	(3)
(818)	Net gains/losses from fair value adjustments	976
	Transfers	
0	to/from inventories	0
4	to/from Property, plant and equipment	360
0	Other Changes	0
*16,237	Balance at the Year End	17,570

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* Balance sheet shows a figure of £16,357 includes council's share of deferred liability for Nonsuch Manson House and park of £120,000.

28. Intangible Assets

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

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £162,553 charged to revenue in 2010/11 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Assets balances during the year is as follows:

	2009/10			2010/11		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at the start of the year						
Gross carrying amounts	0	623	623	0	568	568
Accumulated amortisation	0	(284)	(284)	0	(338)	(338)
Net carrying amount at the start of the year	0	339	339	0	230	230
Additions						
Internal development	0	0	0	0	0	0
Purchases	0	62	62	0	69	69
Amortisation for the period	0	(171)	(171)	0	(162)	(162)
Other changes	0	0	0	0	0	0
Net carrying value at the end of the year	0	230	230	0	137	137
Comprising						
Gross carrying amounts	0	568	568	0	314	341
Accumulated amortisation	0	(338)	(338)	0	(177)	(177)

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	0	230	230	0	137	137
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	2008/09		
	Internally Generated Assets	Other Assets	Total
	£'000	£'000	£'000
Balance at the start of the year			
Gross carrying amounts	0	913	913
Accumulated amortisation	0	-371	-371
Net carrying amount at the start of the year	0	542	542
Additions			
Internal development	0	79	79
Purchases	0	0	0
Amortisation for the period	0	-282	-282
Other changes	0	0	0
Net carrying value at the end of the year	0	-203	-203
Comprising			
Gross carrying amounts	0	621	621
Accumulated amortisation	0	-282	-282

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29. Long Term Debtors

Long term debtors due at 31 March 2011 relate to the balance of mortgages due on ex-council home sales and the balance of staff car loans, not due within the next financial year.

2008/09 £'000	2009/10 £'000		2010/11 £'000
20	14	Mortgages	15
48	26	Staff car loans	3
68	40	Total	18

30. Debtors

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

2008/09 £'000	Re-stated 2009/10 £'000		2010/11 £'000
1,556	3,919	Central government bodies	2,338
0	193	Other Local Authorities	0
73	88	Council Tax Payers	72
2,278	1,970	Other Entities and individuals	2,156
3,907	6,170	Total Debtors	4,566

31. Inventories

A summary of the inventories held at 31 March 2011 is detailed below. The Council had no works in progress in 2009/10 or 2010/11.

2008/09 £'000	2009/10 £'000	Consumable Stores	2010/11 £'000
10	9	Balance outstanding at start of year	11
1	6	Purchases	2
(2)	(4)	Recognised as an expense in year	(2)
9	11	Total	11

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32. Investments Classified as Cash and Cash Equivalents

The Council uses external fund managers to manage the majority of its cash backed reserves. Other surplus cash is invested in temporary investments with 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 2011 and comparison with 31 March 2010 is shown below.

2008/09		2009/10			2010/11	
Cost £'000	Market Valuation £'000	Cost £'000	Market Valuation £'000		Cost £'000	Market Valuation £'000
0	0	0	0	Long Term Investments		
0	0	0	0	Internally managed	0	0
				Externally managed	0	0
0	0	0	0	Sub Total	0	0
				Current Asset Investments		
2,000	2,000	850	850	Internally managed	600	600
18,325	18,325	15,591	15,591	Externally managed	16,845	16,845
20,325	20,325	16,441	16,441	Sub Total	17,445	17,445
20,325	20,325	16,441	16,441	Total Investments	17,445	17,445

These investments are classified on the balance sheet as cash and cash equivalents as per new code of practice. (see note 38)

33. Creditors

A summary of creditors is detailed below.

2008/9 £'000	2009/10 £'000		2010/11 £'000
265	317	Central Government Bodies	331
957	3	Other Local Authorities	78
93	78	Council Tax and Community Charge Payers	77
5,269	4,435	Other Entities and individuals	4,251
6,584	4,833	Total	4,737

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34. Analysis of Net Assets Employed

In 2010/11 the net assets of Epsom and Ewell Borough Council were employed as follows:

Re-stated 2009/10 £'000		2010/11 £'000
59,935	General Fund	67,450
0	Trading Operations	0
59,935	Total	67,450

35. Financial Values of Assets and Liabilities

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

Re-stated 2009/10			2010/11	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
0	2,210	Financial liabilities at amortised cost	0	2,117
0	0	Financial liabilities at fair value through profit and loss	0	0
0	2,210	Total Borrowings	0	2,117
0	19,456	Loans and receivables	0	18,439
0	0	Available-for-sale financial assets	0	0
0	0	Unquoted equity investments at cost	0	0
0	19,456	Total Investments	0	18,439

All the financial assets and liabilities disclosed are short term in nature, and therefore the fair value is not materially different from the book value. There is no impairment implication.

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36. Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	
Interest expenses	0	0	0	0
Loss on de-recognition	0	0	0	0
Impairment losses	0	0	0	0
Interest payable and similar charges	0	0	0	0
Interest income	0	278	0	278
Gains on de-recognition	0	0	0	0
Interest and investment income	0	278	0	278
Gains on revaluation	0	0	0	0
Losses on revaluation	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0
Net gain/(loss) for the year	0	278	0	278

37. Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the 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 Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Strategy & Resources Committee in the annual treasury management strategy. The 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.

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

Risk to the Council is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Pools. The Annual Investment Strategy also imposes a £2.5m maximum sum to be invested with financial institutions located within each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

Financial asset category	Criteria	Maximum investment
Deposits with banks	Short Term: Minimum credit rating is A- Long Term: Minimum credit rating is AAA Active in sterling markets	£2.5m
Deposits with building societies	Minimum criteria: Building Societies assets must be more than £1bn	£2.5m
Deposits with money market funds	<u>Current Investments</u> RBS: rated AAA Standard Life: rated AAA	£2.5m

Customers 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 the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £600,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based upon experience of default over the last five financial years, adjusted to reflect current market conditions.

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	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 11	Estimated maximum exposure to default and un- collectability at 31 March 2011	Estimated maximum exposure at 31 March 11
	£000s	%	%	£000s	£000s
	A	B	C	(A x C)	
Deposits with SWIP	16,845	0	0	0	0
SIBA	600	0	0	0	0
Customers	1,014	0.30%	14.88%	151	126

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

The Council does not generally allow credit for customers, such that but of the £1m balance £221,000 is overdue for payment. The overdue amount can be analysed by age as follows:

Re-stated 31 March 10		31 March 11
£000s		£000s
19	Less than three months	27
17	Three to Five months	17
92	More than Five Months	177
128	Total	221

Liquidity Risk

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

Market Risk

Interest rate risk

The Council 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 Council. For instance, a rise in interest rates would have the following effects:

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

However, interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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The Council 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 2011, 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	(224)
Impact on Income and Expenditure Account	(224)
Decrease in fair value of fixed rate investment assets	0
Impact on Statement of Recognised Gains and Losses	0

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

Foreign exchange risk

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

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38. Cash and Cash Equivalents

31 March 2009	31 March 2010	Movement		31 March 2010	31 March 2011	Movement
£'000	£'000	£'000		£'000	£'000	£'000
1	1	0	Cash in Hand	1		-1
780	-24	804	Cash at Bank	-24	266	290
781	-23	804	Debt due after 1 year Debt due within 1 year	-23	266	289
0	0	0		0	0	0
20,325	16,441	3,884	Current asset investments	16,441	17,445	1,004
			Long term investments			
20,325	16,441	-3,884		16,441	17,445	1,004
21,106	16,418	-4,688	Net Funds / (Debt)	16,418	17,711	1,293

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 Council's activities and either readily convertible into known amounts of cash at or close to its carrying amount, or traded on a active market.

The Council had no net debt as at the 31 March 2011 or at any point during the year.

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39. Adjustment for Net Surplus or (Deficit) on the Provision of services for non-cash movements

2009/10 £'000	Details	2010/11 £'000
(2,424)	Charges for depreciation and impairment of non-current assets	(1,973)
(2,141)	Movements in the market value of Investment Properties	968
(137)	Amortisation of intangible assets	(163)
71	Capital grants and contributions applied	(127)
(196)	Revenue expenditure funded from capital under statute	(116)
(103)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	(301)
(4)	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(3)
424	Government Grants Deferred	162
0	Capital Grants for IFRS purpose	377
(1,441)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,793
1,560	Employer's pensions contributions and direct payments to pensioners payable in the year	1,642
(133)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	11
(331)	To and from Reserves	(423)
2,263	Increase/(Decrease) in Debtors	(1,604)
1,751	(Increase)/Decrease in creditors	96
2	(Increase)/Decrease in Inventories	0
(280)	Other non-cash items	272
(1,119)	Sub-total	3,603
1,289	Remove the interest non cash	323
170	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	3,934

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40. Government Grants

This includes Revenue Support Grant, Local Authority Business Growth Incentives Scheme Grant, Area Based Grant (ABG formerly LAAG) and Local Area Performance Grant. These grants are non-ring fenced general grants, no conditions on use are imposed. ABG is paid directly to the authority that benefits from the grant, rather than being paid to the authority in the area with 'accountable body' status for onward distribution to the other authorities.

2009/10 £'000		2010/11 £'000
782	Revenue Support Grant	531
39	Local Authority Business Growth Incentives Scheme Grant	0
23	Area Based Grant	35
58	Local Area Performance Grant	0
902	Total	566

41. Other Government Grants

Cash received in the year was as follows:

Credited to taxation and Non Specific Grant Income

2009/10 £'000		2010/11 £'000
39	Local Area Business Incentive Grant	0
23	Area Based Grant	35
62		35

Credited to Services

2009/10 £'000		2010/11 £'000
3,061	Council Tax Benefit	3,466
192	Planning Delivery Grant	0
394	Benefit Administration Grant	379
199	Concessionary Fares Grant	91
125	Homelessness Grant	89
87	Rent Allowances	221
68	Community Safety Grants	51
10	Route Call	53
11	Business Rate Collection	89
6	Temporary Accommodation - DWP	3
45	EU Election	12
219	LPSA	329
4,417		4,783

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42. Capital Grants and Contributions Receipts in advance

These are grants received in advance or did not satisfy the condition attached to the grant and will be satisfied in the future.

2008/09	2009/10		2010/11
£'000	£'000		£'000
0	41	Contaminated Land Grant	0
0	240	Disabled Facilities Grant	0
109	0	LPSA	0
1,245	1,724	Other grants and Section 106 Contributions	2,536
1,354	2,005	Total	2,536

43. Council tax collection fund adjustment

From 1 April 2009, for Council, the council tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. Each major preceptor's share of the accrued council tax income would be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

	Total Collection Fund 2010/11 £'000	Surrey County Council £'000	Surrey Police Authority £'000	EEBC £'000
Council Tax Arrears	1,132	855	152	125
Impairment Allowance for doubtful debts	(475)	(359)	(64)	(52)
Council Tax overpayments and prepayments	(701)	(529)	(94)	(78)
Collection Fund Deficit	(40)	(30)	(5)	(4)
Cash	84	63	11	9

44. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Director of Finance John Turnbull on 30 September 2011. Events taking place after this date are not reflected in the financial statements or notes. There are no events after the balance sheet date which would materially affect these financial statements.

45. Heritage Assets

There are no assets in the current carrying amount of assets in the 2010/11 financial statements expected to be reclassified as heritage assets for 2011/12.

46. IFRS Transition to IFRS

IFRS 1 requires an authority to explain how the transition from previous accounting policies based on UK Generally Accepted Accounting Policies to IFRS based accounting policies has affected its reported financial position. The tables below show a reconciliation of the Balance Sheet and the Comprehensive Income and Expenditure Statement from those published in the 2009/10 statement of accounts to the restated opening balances as at 1

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April 2009 and 31 March 2010. The areas where adjustments were made are:

Cash and cash Equivalents

IAS 7 introduces the concept of cash equivalents. Balances previously held as investments have been reclassified as cash equivalents where they meet the council's definition. Under IFRS regulations, cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice. Cash equivalents are investments that mature no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The council has reclassified some short-term investments and cash and bank as cash and cash equivalents. (note 41)

Short-term accumulating compensated absences

IAS 19 requires that provisions be made for short-term compensated absences, such as annual leave and flexi leave, which have accumulated but remain untaken at the balance sheet date. An accumulated absences account has been set up, as an unusable reserve, to reverse the effect of these entries on the amount required to be funded from taxation.

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Government Grants and Investment & Surplus Properties

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

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the capital Adjustment Account in the opening 1 April 2009 balance sheet.

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure statement in the comparative figures - details are within the Comprehensive Income and Expenditure restatement note on the following page. Unused government grants where there are no repayment conditions have been transferred from short-term creditors to reserves. Assets previously classed as investment properties are now classed as property, plant and equipment as they are held to provide services to the community and are not held solely for capital gain or income purposes. Surplus assets have been reclassified as surplus assets

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not held for sale as they are not being actively marketed for sale in the short-term. The table below shows a reconciliation of the Balance Sheet published in the 2009/10 statement of accounts, to the restated opening balances as at 31 March 2010.

Balance Sheet as at 31 March 2010:	As published in 2009/10 Statement of Accounts	IFRS Adjustments	Restated Balance
	31/03/2010	31/03/2010	31/03/2010
	£'000	£'000	£'000
Property, plant & equipment	51,972	2,731	54,703
Investment properties	16,357		16,357
Intangible Assets	230		230
Long-term investments			0
Long term debtors	40		40
Long Term Assets	68,599	2,731	71,330
Short term investments	16,441	-16,441	0
Inventories	11		11
Short term debtors	6,170		6,170
Cash & cash equivalents	1	16,417	16,418
Assets held for sale			0
Current Assets	22,623	-24	22,599
Bank overdraft	24	-24	0
Short term borrowing			0
Short term creditors	4833		4,833
Capital Contributions Unapplied	2005	-2005	0
Lease Liability - Within One year		392	392
Current Liabilities	6,862	-1,637	5,225
Long term borrowing - Lease		2558	2,558
Other long term liabilities	25,619	(1,413)	24,206
Capital grants receipts in advance		2005	2005
Long term liabilities	25,619	3,150	28,769
Net Assets	58,741	1,194	59,935
Usable reserves	15,632	15	15,647
Unusable reserves	43,109	1,179	44,288
Total Reserves	58,741	1,194	59,935

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The table below shows a reconciliation of the Balance Sheet published in the 2009/10 statement of accounts, to the restated opening balances as at 31 March 2009.

Balance Sheet as at 31 March 2009:	As published in 2009/10 Statement of Accounts	Prior Year Adjustments	IFRS Adjustments	Restated Balance
	01/04/2009	01/04/2009	01/04/2009	01/04/2009
	£'000	£'000	£'000	£'000
Property, plant & equipment	52,056		2,292	54,348
Investment properties	16,741		450	17,191
Intangible Assets	339			339
Surplus assets for resale	450		-450	0
Long term debtors	68			68
Long Term Assets	69,654	0	2,292	71,946
Short term investments	20,325		-20,325	0
Inventories	9			9
Short term debtors	5,011	(1,104)		3,907
Cash & cash equivalents	781		20,325	21,106
Assets held for sale				0
Current Assets	26,126	-1,104	0	25,022
Bank overdraft	0			0
Short term borrowing				0
Short term creditors	7011	-427		6,584
Capital Contributions Unapplied	1354		-1354	0
Lease Liability - Within One year			331	331
Current Liabilities	8,365	-427	-1,023	6,915
Long term borrowing - Lease			1947	1,947
Other long term liabilities	19,147		(1,229)	17,918
Capital grants receipts in advance			1354	1354
Long term liabilities	19,147	0	2,072	21,219
Net Assets	68,268	-677	1,243	68,834
Usable reserves	16,840		22	16,862
Unusable reserves	51,428	1,414	544	51,972
Total Reserves	68,268	1,414	566	68,834

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Restated 2009/10 Comprehensive Income & Expenditure Account

2009/10	UK GAAP Compliant 2009/10 Income and Expenditure			IFRS Movements	IFRS Compliant 2009/10 C I&E		
	Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
Central Services	7,537	-5,239	2,298	-1	7,536	-5,239	2,297
Culture Environ and Planning	11,497	-5,526	5,971	-129	11,368	-5,526	5,842
Highways,Roads and Transport Services	3,009	-3,095	-86	17	3,025	-3,094	-69
Housing Services	17,814	-16,729	1,085	0	17,814	-16,729	1,085
Social Services	1,980	-730	1,250	-28	1,952	-730	1,222
Corporate & Democratic Core	3,036	-1,038	1,998	-1,889	1,146	-1,037	109
Non Distributed Costs	723	-77	646	63	786	-77	709
Cost of Services	45,596	-32,434	13,162	-1,967	43,627	-32,432	11,195
Other Operating expenditure			-82				22
Financing and investment Income and expenditure			891				1,709
Taxation and non-specific grant income			-9,604				-9,604
(Surplus) or Deficit on Provision of services			4,367	-1,969	43,627	-32,432	3,322
Actuarial Gain/(Loss) arising on pension fund assets & liabilities			6,407				6,407
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets			-1,902	1,072			-830
							8,899

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COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	2009/10 £'000	2010/11 £'000
Income :-		
Council Tax Income	42,728	43,927
Transfers from General Fund - Council Tax Benefits	3,120	3,414
Income Collectable from Non Domestic Ratepayers	22,647	21,696
	68,495	69,037
Expenditure :-		
Precepts and Demands	46,498	47,043
Distribution of prior year surplus on Collection Fund	96	0
Non Domestic Rates - Payments to National Pool	22,556	21,608
- Costs of Collection	91	89
Bad and Doubtful Debts - Write Offs	84	633
- Provisions	38	(438)
	69,363	68,935
Movement on Fund Balance	(868)	102
Balance Brought Forward at 1 April	806	(62)
Balance Carried Forward at 31 March	(62)	40

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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	109.38	6/9 th	72.92
B	909.10	7/9 th	707.08
C	4,006.00	8/9 th	3,560.89
D	7,354.53	9/9 th	7,354.53
E	6,915.85	11/9 th	8,452.71
F	4,170.00	13/9 th	6,023.33
G	3,553.93	15/9 th	5,923.22
H	110.05	18/9 th	220.10
Aggregate of Relevant Amounts			32,314.77
Estimated Collection			98.5%
Council Tax Base			31,830.05

Non-Domestic Rates Statistics

	2009/10	2010/11
Total Non-Domestic Rateable Value at year end	£55,706,405	60,471,561
National Non-Domestic Rate Multiplier	48.50	41.40
National Non-Domestic Rate Charged in year after allowing for reliefs and other deductions	£22,923,198	22,066,511

Precepting Bodies

	2009/10 £'000	2010/11 £,000
Surrey County Council	35,192	35,534
Surrey Police	6,263	6,319
Epsom and Ewell Borough Council	5,043	5,190
Total Precepts on Collection Fund	46,498	47,043

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TRUST AND OTHER FUNDS AS AT 31 MARCH 2011

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.

	2009/10	2010/11
	Capital Value of Fund	Capital Value of Fund
Trust Fund	£'000	£'000
Chuter Ede Used to assist university students resident in the Borough.	33	31
Other Funds Total Capital Value of other funds	22	21
Totals	55	52

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GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

The following terms and abbreviations, while not being exhaustive, may prove of assistance in understanding the Statement of Accounts.

FINANCIAL TERMS

Accounting Period	The period of time covered by the Council's accounts. The Council's financial year is the period from 1st April to the following 31 March.
Accrual	The recognition of income and expenditure as it is earned or incurred, i.e. not as cash received or paid.
Actuary	Independent advisor to the Council on the financial position of the Pension Fund.
Actuarial Valuation	Independent triennial review of the Pension Fund assets, liabilities and reserves, the results of which, including recommended employer's contribution rates, the Actuary reports to the Council.
Amortisation	The writing off of intangible assets or loan balances to revenue service accounts over an appropriate period of time.
Balances	The surplus or deficit on any account at the end of an accounting period. The term is often used specifically to refer to the availability of unallocated revenue reserves.
Budget	A statement defining the Council's policies over a specified period of time in terms of finance.
Capital Charges	Charges made to individual service revenue accounts to reflect the cost of the assets employed. Charges may include both notional interest and depreciation elements (also referred to as asset rentals).
Capital Expenditure	Expenditure incurred on the purchase or improvement of significant assets including land, buildings and equipment, which will be of use or benefit in providing services for more than one financial year.
Capital Financing Charges	The annual cost of capital, including principal repayments, interest charges and leasing costs.
Capital Receipts	Income received from the sale of capital assets.
Contingent Liabilities	Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is inappropriate. Such items are disclosed in the form of a note to the accounts.

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Council Tax	The main source of local taxation to local authorities. This is levied on households within its area by the billing authority and the proceeds paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
Creditors	Amounts owed by the Council at the end of the accounting period.
Debtors	Amounts owed to the Council at the end of the accounting period.
Earmarked Reserves	Balances set aside to meet specific future, usually non-recurring, commitments.
Fees and Charges	Income receivable as payment for goods or services provided.
Formula Grant	A grant paid by the Government made up of redistributed National Non Domestic Rate (NNDR) and Revenue Support Grant (RSG).
Intangible Assets	Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period.
(National) Non-Domestic Rate(s)	A levy on businesses based on the rateable value of the premises they occupy. It is also known as "business rates", the "uniform business rate" and the "national non-domestic rate". Local authorities collect the rate as agents for the Government which then redistributes the income to authorities on the basis of population.
Post Balance Sheet Events	Significant events which occur after the end of the accounting period but prior to the date when the accounts are issued.
Precept	The precepting authorities' council tax. This is collected by billing authorities on behalf of the precepting authorities.
Precepting Authorities	Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. The Council bills and collects on behalf of the Greater London Authority.
Private Finance Initiative	Contracts whereby private sector suppliers provide services and/or capital investment in return for unitary payment; subject to agreed performance targets.
Provisions	Amounts set aside to meet probable "one-off" future liabilities or losses but where exact dates and amounts are uncertain.
Revenue Expenditure	This is the routine day to day cost of providing the Council services. Under the Local Government and Housing Act 1989, all expenditure is regarded as revenue unless it is specifically classified as capital.
Revenue Support Grant	A grant paid by central government as part of "formula grant" to support local authority services in general, as opposed to specific grants which may only be used for a prescribed purpose.

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Support Services

Professional, technical and administrative activities, such as Finance, Information Technology and Human Resources, which support the provision of front line services