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# Financial Statements 2006/07

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## APPROVAL OF FINANCIAL STATEMENTS

The attached financial statements were approved by the Strategy and Resources Committee of the Council, in accordance with the Council's Constitution, on 26 June 2007.



**Keith H Mann**  
Chairman of Strategy and Resources Committee

**Date: 25/9/07**

## Certificate of the Director of Finance

I certify that the statement of accounts set out on pages 24 to 53 attached, for the year 2006/07, present fairly the financial position of the Council as at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.



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

**Date: 25/9/07**

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# Financial Statements 2006/07

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## INDEPENDENT AUDITOR'S REPORT

### Opinion on the financial statements

I have audited the financial statements of Epsom & Ewell Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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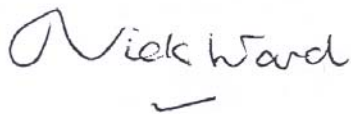
## Financial Statements 2006/07

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

### Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.



Nick Ward  
District Auditor  
Audit Commission  
MLS Business Centre  
Crossweys  
28-30 High Street  
Guildford  
Surrey GU1 3HY

26 September 2007

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# Financial Statements 2006/07

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

### Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Epsom & Ewell Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

### Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 December 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

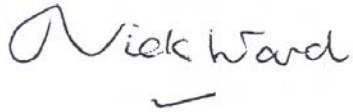
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## Financial Statements 2006/07

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### Certificate

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



Nick Ward  
District Auditor  
Audit Commission  
MLS Business Centre  
Crossweys  
28-30 High Street  
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Surrey GU1 3HY

26 September 2007

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# Financial Statements 2006/07

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## EXPLANATORY FOREWORD

### Introduction

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

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

There have been a number of changes, mainly to the presentation of the accounts with effect from 2006/07. These changes are detailed below.

- The removal of the notional capital financing charge.
- Government grant amortised over a period of years to match the depreciation charge for certain assets is now credited to the appropriate service expenditure.
- Gains / Losses on the sale of fixed assets are now reflected within the main revenue account.
- The discontinuation of the Asset Management Revenue Account.
- The replacement of the Consolidated Revenue Account with an Income and Expenditure Account and a Statement of Movement on the General Fund Balance.
- The replacement of the Statement of Total Movement in Reserves with a Statement of Total Recognised Gains and Losses.
- A change to the order in which the financial statements appear in the Accounts, being the core financial statements: the Income and Expenditure Account and the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement followed by the associated notes; and then supplementary financial statements: the Collection Fund and associated notes.

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

For comparative purposes following the changes referred to above and in accordance with the requirements of Financial Reporting Standard 3 all comparator figures for 2005/06 have been restated.

The Council's accounts for the year 2006/07 are set out on pages 24 to 53 and have been prepared in accordance with the Code of Practice on Local Authority Accounting, which has been endorsed by the local authority associations and the Accounting Standards Board. The statements provide a concise picture of the Borough Council's financial position for the year ended 31 March 2007 and consist of the following: -

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

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

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# Financial Statements 2006/07

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

**Balance Sheet**, which sets out the financial position in terms of assets and liabilities of the Council as at 31 March 2007;

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

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

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

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

**Trust Funds Balance Sheet** which sets out the financial position in terms of assets and liabilities as at 31 March 2007 of those funds administered by the Council.

## Council Tax Accounts

3. Total precept requirements were £1,269.82 per Band D property. This comprised £966.69 for Surrey County Council, £163.26 for Surrey Police and £139.87 for Epsom and Ewell Borough Council. The precept levied by the Borough Council was determined after taking account of income from nationally redistributed Business Rates of £3.4 million and Revenue Support Grant of £0.6 million. The resultant precept on the Collection Fund amounted to £4.3 million.
4. The Borough Council achieved a high Council Tax collection rate at 98.9% (98.9% in 2005/06). Outstanding Council Tax arrears remain subject to recovery action until such times as these sums are fully paid.

## General Fund Revenue Account

5. The budget for the year agreed by the Council on 21 February 2006 provided for net expenditure on General Fund services of £8.8 million with a contribution from working balances of £0.5 million resulting in a net budget requirement of £8.3 million. This represented an increase of £0.6 million in the net budget requirement compared to the previous year. The main reasons for this increase were:

<u>Reductions in Expenditure/Increase in Income</u>	£'000
Additional income from increases in fees and charges	187
Reduced investment funded from planning delivery grant	190
Management efficiency savings	100
Venue subsidy reduction targets	110
<u>Increases in Expenditure/Reductions in Income</u>	
Provision for inflation	526
Reduced income from planning delivery grant	190
Additional service provision	179
Enhanced concessionary fares scheme	310

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6. Net expenditure 2006/07 by Committee is detailed below.

2005/06 Actual £'000		2006/07		
		Original Budget £'000	Actual £'000	Variance* £'000
1,512	Strategy and Resources Committee	2,703	1,400	(1,303)
2,986	Environment Committee	2,148	2,328	180
2,762	Social Committee	2,954	3,067	113
3,997	Leisure Committee	3,418	3,417	(1)
(3,558)	Asset Rent Landlord Account	(2,448)	(1,678)	770
<b>7,699</b>	<b>TOTAL</b>	<b>8,775</b>	<b>8,534</b>	<b>(241)</b>

\* individual committee variations include changes to internal recharges.

7. Net expenditure for the year was £241,000 less than the original estimate, which represents a variation of 2.74% against the Council's net budget requirement.

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

2005/06 Actual £'000		2006/07		
		Original Budget £'000	Actual £'000	Variance £'000
4,059	Balance Brought Forward at 1 April 2006	4,019	4,019	0
(40)	Surplus (Deficit) for the year	(498)	(257)	241
<b>4,019</b>	<b>Balance Carried Forward at 31 March 2007</b>	<b>3,521</b>	<b>3,762</b>	<b>241</b>

### Housing Revenue Account

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

### Capital Accounts

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

## Financial Statements 2006/07

11. The Council spent £2.2 million on capital schemes in 2006/07. A summary of expenditure by committee is shown below and the sources of funding.

2005/06 Actual £'000		Original Budget £'000	2006/07	
			Actual £'000	Variance £'000
769	Strategy and Resources	570	743	173
770	Environment Committee	279	305	26
563	Social Committee	632	774	142
1,201	Leisure Committee	441	340	(101)
111	Hospital Cluster	502	41	(461)
-	Capitalisation of Pension Fund Contributions	-	-	-
<b>3,413</b>	<b>TOTAL</b>	<b>2,424</b>	<b>2,203</b>	<b>(221)</b>

2005/06 £'000		2006/07 £'000
1,834	Capital Receipts	1,333
1,487	External Contributions	856
92	Revenue Contribution	14
<b>3,413</b>	<b>TOTAL</b>	<b>2,203</b>

12. The main reasons for this variation were slippage in implementing the Horton Chapel conversion which was to be funded from Hospital Cluster receipts, and reduced expenditure incurred on disabled facilities grant scheme to cover statutory responsibilities.
13. The Council generated £0.9 million of new capital receipts during the year, mainly from the sale of land and non- operational properties.
14. The balance of the Council's usable capital reserves at 31 March 2007 is £9.4 million (compared to £9.9 million at the 31 March 2006).
15. The Council has been debt free since 31 March 1994 and had no debt outstanding at any time during the year.

### Introduction of the Euro

16. The Council is monitoring the position concerning the introduction of the Euro and any future government decision on the United Kingdom's entry into the European Monetary Union. As at 31 March 2007 the Council has not incurred or planned any expenditure or entered into any commitments specifically in preparation for the introduction of the Euro.

### Further Information

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

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# Financial Statements 2006/07

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## STATEMENT OF ACCOUNTING POLICIES

### General Principles

1. The statement of accounts summarises the Council's transactions for the 2006/07 financial year and its position at the year-end 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006 (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### Debtors and Creditors

2. Revenue and capital transactions are accounted for on an accruals basis to the extent that creditor items for goods and services provided but not paid for at 31 March 2007 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 2007, are included at the best available estimate.
3. The total amount of debtors in the Balance Sheet is distinguished between:

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

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

### Provisions

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

### Nature of Substantial Reserves

8. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the Income and

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## Financial Statements 2006/07

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Expenditure Account after the Net Operating Expenditure line. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the Income and Expenditure Account after Net Operating Expenditure so that there is no net charge against council tax for the expenditure.

The Council maintains the following main strategic revenue reserves:

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

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

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

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

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

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

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

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

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

### Fixed Assets

9. All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis in the accounts, provided that the fixed asset yields benefits to the authority and the service it provides is for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.
10. The Council operates a de-minimis level of £20,000 below which, the total costs of a capital scheme or rolling programme of schemes will not be charged to capital on the grounds of materiality.
11. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 1993 Code of Practice on Local Authority Accounting.

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## Financial Statements 2006/07

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12. The freehold and leasehold properties which comprise the Council's property portfolio were valued by a suitably qualified external valuer in accordance with the statements of asset valuation and guidance notes of the Royal Institution of Chartered Surveyors. All properties are re-valued within a five year period and additionally to take into account any potential impairment in their value, or upon construction and the completion of material improvements. A review of the balance sheet value of each category of assets is undertaken to establish whether there has been a genuine impairment in the value of assets.
13. Properties and other fixed assets are valued as follows:

**Land and operational properties** are valued on the basis of open market value for existing use or, where this cannot be assessed because there is no market for the asset, the depreciated replacement cost. The only exception to this is new buildings included at the cost of construction and re-valued at the end of the year in which they become fully operational;

**Infrastructure and Community assets** are not revalued but included in the balance sheet at historic cost;

**Vehicle, Plant and Equipment**, where not integral to the fabric of the building, are shown separately at depreciated replacement cost;

**Non-operational properties (Investment Properties)** are valued on the basis of open market value. The only exception to this are those properties which have changed classification from operational buildings since 1998, which are shown at the depreciated replacement cost pending revaluation;

**Assets under construction** are valued on the basis of those costs incurred up to the 31 March and

**Surplus Assets for Resale** are valued on the basis dependent on the individual asset.

14. The surpluses or deficits arising on the initial valuation of fixed assets and any further revaluations are also recognised in the Fixed Asset Restatement Account.
15. Assets acquired under finance leases are capitalised in the authority's accounts, together with the liability to pay future rentals. At 31 March 2007 the Council has not acquired any assets under finance lease. Other assets previously acquired under advance and deferred purchase schemes are recognised and included in the balance sheet at their fair value.
16. Income resulting from the disposal of fixed assets is accounted for on an accruals basis. Such income is included in the Usable Capital Receipts Reserve. The net book value of the asset, which has been disposed of, is removed from the fixed asset valuation in the Consolidated Balance Sheet.

### Depreciation

17. All fixed assets except freehold land are depreciated on a straight line basis over the period of their useful economic life, in accordance with the requirements of Financial Reporting Standard 15 as follows:

**Land and Buildings**, excluding the land element of the valuation, are depreciated over a 20 to 40 year useful life. Specific buildings are not depreciated on the grounds that the charge would be immaterial due to the length of the useful life, e.g. listed buildings.

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**Infrastructure and Community assets** are not depreciated on the grounds that the charge would be immaterial due to either the length of the useful life or that the useful life is indeterminable.

**Vehicles, Plant and Equipment** are depreciated over a 4 to 10 year useful life.

**Newly acquired assets** are not depreciated in the year of acquisition but are charged with a full years depreciation in the year of disposal. Assets in the course of construction are not depreciated until brought into use. Where there is a change in valuation during the year, a full years depreciation is charged on the new valuation, if materially different.

### Intangible Assets

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

### Deferred Charges

20. Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the deferred charges from existing capital resources, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.
21. Deferred charges are now written off to the income and expenditure account immediately on the basis that it is not anticipated that the expenditure will benefit the authority over a period of more than one year.

### Charges to Revenue for Fixed Assets

22. Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:
  - depreciation attributable to the assets used by the relevant service
  - impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
  - amortisation of intangible fixed assets attributable to the service.
23. The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it would be required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement if essential (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

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# Financial Statements 2006/07

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## Finance Leases

24. Where assets are acquired under leases, the leasing rentals payable are charged to revenue. No assets have been acquired under leases at 31 March 2007.

## VAT

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

## Investments

26. Investments are shown in the Balance Sheet at the lower of cost of investment or market valuation at 31 March 2007.
27. The total amount of current asset investments included in the Balance Sheet is distinguished between;

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

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

## Support Service Costs

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

## Pensions

29. These statements have been prepared in accordance with Financial Report Standard (FRS) 17 – Retirement Benefits. The Balance Sheet shows a Pension liability of £13.0 million, which reduces that worth of the Council by some 14.9%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

The Council pays employer's contributions into the Superannuation Fund, administered by Surrey County Council, for superannuable employees. The basic contribution was set at 10.02% of appropriate employee emoluments for salaried and manual staff. For certain manual employees the employers' contribution is protected at 8.35% of appropriate employee emoluments.

30. Costs have been determined in accordance with relevant Government regulations, which until the triennial actuarial valuation of the Superannuation Fund effective from 1 April 1993, were set to meet only 75% of the fund's liabilities. The triennial actuarial valuation requires the payment of additional annual contributions into the Superannuation Fund, to ensure that cover will be provided to meet 100% of the fund's liabilities.

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## Financial Statements 2006/07

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31. The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Superannuation Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a real discount rate of 2.1% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Superannuation fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities – mid-market value
  - unquoted securities – professional estimate
  - unitised securities – average of the bid and offer rates
  - property – market value.

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

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- contributions paid to the Superannuation pension fund – cash paid as employer's contributions to the pension fund.

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

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## Financial Statements 2006/07

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with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

34. Pensions have been treated within the statements in accordance with recommended financial reporting standards for local authorities, additional information on pension costs and liabilities are included in note 11 to the Core Financial Statements (page 28). The disclosure notes within the financial statements have been prepared in accordance with FRS17.

### Work in Progress, Stocks and Stores

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

### Government Grants

37. Revenue grants and subsidies have been credited to the appropriate revenue account and accruals have been made for balances anticipated to be receivable for the period to 31 March 2007.
38. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the capital contributions-deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

### Executive Remuneration

39. Remuneration as disclosed in note 5 of the Core Financial Statements (page 26) is all amounts paid to or receivable by an employee, including sums due by way of expenses allowance and the estimated money value of any other benefits received by an employee otherwise than in cash.

### Interest Rates

40. 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.

### Support Costs

41. In accordance with the costing principles of CIPFA's Best Value Code of Accounting Practice, the costs of overheads and support costs are charged to those that benefit from the supply or service. Central and departmental administrative expenses are allocated in full to services based on either estimated time spent by staff on each of the various services or other statistical

## Financial Statements 2006/07

evidence of usage, where available. Net credit balances arising from certain efficiency gains, such as vacancy management, are reported centrally.

### Prior Period Adjustments

42. In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

43. These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of capital financing charges	Relocation of government grants deferred credits	Recognition of gains and losses on disposal of fixed assets	2005/06 comparatives in Income and Expenditure Account
	£'000	£'000	£'000	£'000	£'000
Central services to the public	(160)	(301)			(461)
Cultural, environmental and planning services	7,216	(757)			6,459
Highways, roads and transport services	644	(582)			62
Housing services	936	0			936
Social services	1,736	(207)			1,529
Corporate and democratic core	1,965	(1)			1,964
Non distributed costs	(52)	(23)			(75)
<b>Impact on Net Costs of Services</b>	<b>12,285</b>	<b>(1,871)</b>			<b>10,414</b>
Loss on disposal of fixed assets				70	70
Asset management revenue account (interest payable and similar charges in 2006/07)	(1,848)	1,871			23
<b>Impact on Net Operating Expenditure</b>	<b>10,437</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>10,507</b>

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# Financial Statements 2006/07

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## STATEMENT OF RESPONSIBILITIES

### General

1. The accounts have been prepared in accordance with the provisions of the 'Code of Practice on Local Authority Accounting in The United Kingdom: Statement of Recommended Practice' published by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2006.
2. The Financial Statements are published separately from the Annual Report, the latter providing further information about the Council and its services.

### Responsibilities

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

**The Borough Council** is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Director of Finance;
- manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
- approve the Statement of Accounts by 30 June 2007; and
- publish the Statement of Accounts by 30 September 2007.

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

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

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# Financial Statements 2006/07

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## STATEMENT ON INTERNAL CONTROL

### 1. Scope of Responsibility

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. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for ensuring that there is a sound system of control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it 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 Borough Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Epsom and Ewell Borough Council for the year ended 31 March 2007 and up to the date of approval of the annual report and the accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

### 3 The Internal Control Environment

The key elements of the Council's internal control environment are as follows:

- The Council has adopted a constitution which sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people;
- The Council has adopted the "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code is available on the Council's intranet site and web site. The Council has established a Corporate Governance Group, which meets quarterly;
- Policy and decision making are through the Council's policy committees with the Strategy and Resources Committee being responsible for submitting the budget and policy framework to the Council;
- The Council has published a four year Corporate Plan that sets out the Council's ambition and priorities;
- The Council has published a Medium Term Financial Strategy that sets out finance targets and links to the Corporate Plan;
- The Council publishes an annual Policy Book containing key service priorities, the corporate and service budgets and capital investment;

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## Financial Statements 2006/07

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- The Council has robust systems for identifying and evaluating significant risks. This includes a Risk Management Strategy which explains the methodology in providing a comprehensive framework for the management of risk throughout the Council. A Corporate Risk Group has been established to embed risk management across the Authority. The Council have in place both Corporate and Operational Risk Registers that are regularly updated;
- There is a professional finance function, providing a planned budgeting system for both capital and revenue. The Council also has in place sound financial support arrangements including year end accounts closing guidelines, budget guidelines and offers financial training to senior staff;
- The Council seeks to ensure economic, efficient and effective use of resources. As required by the duty of best value it aims to secure continuous improvement in the way in which its functions are exercised through reviews by internal and external audit, external agencies, service review teams and the service improvement unit;
- Trained and experienced people deliver services. All posts have detailed role profiles and training needs are identified through the personal development scheme;
- The Council has a designated Monitoring Officer (currently this position is covered by the Deputy Monitoring Officer with support from another Surrey District Council). The Monitoring Officer is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Office, the Monitoring Officer can report to the full Council if (s)he considers that any proposal, decision or omission would give rise to unlawfulness or mal-administration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered;
- The financial management of the Council is conducted in accordance with the financial rules set out in Part 4 of the Constitution, which includes the financial regulations. The Council has a designated Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972;
- The Council employs a contracted out internal audit function, which operates to the standards set out in the "Code of Practice for Internal Audit in Local Government in the UK";
- The Council has an objective and professional relationship with External Audit and statutory inspectors, as evidenced in the Annual Audit and Inspection Letter;
- The Council has an effective and improving performance management framework as set down in its document "Performance Management Improving our Services". The system is driven by the key priorities within the Corporate Plan and the key service priorities. This is cascaded down through directors and managers targets in the performance appraisal scheme under which performance is regularly monitored;
- The Council has established key service priorities and performance indicators, which are regularly reported in the annual service and financial planning and performance management cycle. The Council's Financial Policy Panel and Scrutiny Committee monitor and scrutinise progress against targets and performance in priority areas affecting relevant service performance. The policy committees consider and approve corrective action where necessary, quarterly.

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# Financial Statements 2006/07

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## 4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the system of internal control. The review of effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes: -

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect;
- The Council reviews the Constitution each year;
- The Council reviews the Local Code of Corporate Governance on an annual basis including dimension 4 relating to risk management and internal control and adopts an action plan to deal with issues arising;
- The Council has a Scrutiny Committee with a range of powers as set out in its terms of reference in Part 3 of the Constitution. This includes responsibility for discharging the functions of an audit committee, reviewing the adequacy of internal controls and monitoring the performance of internal audit and reviewing the external audit plan;
- The Council's internal audit service, for 2006/07, was provided by Bentley Jennison who are responsible for monitoring the quality and effectiveness of the systems of internal control. An audit needs assessment model is used to formulate the strategic audit plan, which is approved by the Scrutiny Committee, from which the annual workload is identified. The reporting process requires the Internal Audit Manager to submit a report for each audit to the relevant officer, the relevant Director and the Director of Finance. The report identifies recommendations for improvements that are included within an action plan agreed with the relevant officer. The reporting requirements also include regular monitoring reports including performance indicators and an annual report giving the Internal Audit Manager's annual assurance opinion statement;
- An annual review of the effectiveness of the systems for internal control was undertaken by the Director of Finance and presented to the Chief Executive as part of the end of year process for reviewing the performance of the internal audit contract. The review assessed overall performance of the contracted audit service, a self assessment of the effectiveness of the Scrutiny Committee in providing the role of an audit committee and an assessment of the internal audit provider's compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
- The Comprehensive Performance Assessment by the Audit Commission in June 2004 assessed the Council as 'good'.
- The annual Use of Resources assessment, which focuses on sound and strategic financial management was reported in March 2007 and assessed the Council as level 3- performing well;
- A monitoring and reporting system utilising a traffic lights system is in place for performance management. This determines the frequency of reporting with use of corrective action plans for areas of non performance;

# Financial Statements 2006/07

- The Corporate Risk Group has responsibility for risk management. It meets and reports to Directors quarterly. The Corporate Risk Group also review the Council’s corporate and operational risk registers and associated action plans, ensuring that the appropriate management action is taken to manage or eliminate risk. It also facilitates the process of embedding risk within the organisation;
- All senior managers have responsibility for reviewing the systems of internal control within their sections and were required to complete and sign a Divisional Assurance Statement and identify any significant weaknesses in those controls.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, including the officer corporate risk group, the corporate governance group and the Scrutiny Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 5 Significant Internal Control Issues

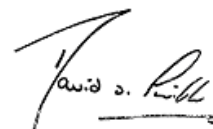
The following significant internal control issues have been identified:-

No.	Issue	Action
1.	<b>Contract Standing Orders</b> - need to be updated and awareness training provided.	<ul style="list-style-type: none"> <li>• Review and update Contract Standing Orders.</li> <li>• Provide awareness training to ensure all Managers and relevant officers are aware of their responsibilities in conjunction with training on the new financial regulations.</li> </ul>
2.	<b>Fraud Prevention</b> – to ensure that adequate procedures are in place to prevent fraud or ensure any fraudulent activity is correctly dealt with.	<ul style="list-style-type: none"> <li>• Implement the Action Plan from the detailed Fraud Strategy and Fraud Policy Reviews undertaken by BIIS.</li> </ul>
3.	<b>Staff Recruitment</b> - there are vacancies in a number of key posts within the organisation which could have an effect on internal controls.	<ul style="list-style-type: none"> <li>• To maintain a proactive recruitment process in order to appoint into these key roles at the earliest opportunity.</li> </ul>
4.	The updated <b>HR Strategies and supporting policies</b> have not been finalised and promoted to staff.	<ul style="list-style-type: none"> <li>• To complete and publicise the HR Strategy and all supporting policies to Members and Officers, following adoption of the new Corporate Plan.</li> </ul>
5.	<b>Risk Management</b> arrangements for business continuity need to be further strengthened.	<ul style="list-style-type: none"> <li>• To develop business continuity plans in key operational areas.</li> </ul>



Councillor Keith Mann  
Chairman of Strategy and Resources Committee

Date 25/9/07



David Smith  
Chief Executive

Date 25/9/07

## Financial Statements 2006/07

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

2005/06 Net Expenditure £'000		2006/07			
		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
(461)	Central Services		4,475	(4,622)	(147)
6,459	Culture Environment and Planning		11,485	(4,478)	7,007
62	Highways,Roads and Transport Services		2,750	(2,554)	196
936	Housing Services		12,461	(11,639)	822
1,529	Social Services		2,177	(691)	1,486
1,964	Corporate & Democratic Core		2,129	(95)	2,034
(75)	Non Distributed Costs		370	(348)	22
<b>10,414</b>	<b>Net Cost of Services</b>	<b>1-9</b>	<b>35,847</b>	<b>(24,427)</b>	<b>11,420</b>
70	Loss on the disposal of fixed assets				58
(999)	Interest and Investment Income	10			(1,081)
33	Contribution to housing pooled receipts				37
330	Pension interest cost and expected return on pension assets	11			14
(1,129)	Exceptional Item				0
<b>8,719</b>	<b>Net Operating Expenditure</b>				<b>10,448</b>
(4,114)	Collection Fund Precept				(4,323)
(1,675)	Revenue Support Grant				(645)
0	Contribution from Non-Domestic				0
(1,956)	Rate Pool				(3,343)
86	Transfer from Collection Fund				34
<b>1,060</b>	<b>(Surplus)/Deficit for the Year</b>				<b>2,171</b>

# Financial Statements 2006/07

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06 £'000		Note	2006/07 £'000
1,060	(Surplus) / Deficit for the year on the Income and Expenditure Account		2,171
(1,020)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	12	(1,914)
<b>40</b>	<b>Reduction in General Fund Balance for the Year</b>		<b>257</b>
(4,059)	General Fund Balance brought forward		(4,019)
<b>(4,019)</b>	<b>General Fund Balance carried forward</b>		<b>(3,762)</b>
0	Amount of General Fund Balance held by schools under local management schemes		0
(4,019)	Amount of General Fund Balance generally available for new expenditure		(3,762)
<b>(4,019)</b>			<b>(3,762)</b>

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

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

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

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

## Financial Statements 2006/07

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2007

2005/06 £'000		Note	2006/07 £'000
(1,060)	Surplus / (Deficit) for the year on the Income & Expenditure Account		(2,171)
184	Surplus / (Deficit) arising on revaluation of fixed assets		5,352
50	Actuarial gains and (losses) on pension assets and liabilities	11	3,053
	<b>Other gains and (losses) required to be included in STRGL</b>		
430	Surplus / (Deficit) for the year on Collection Fund		1,077
2,203	Capital Grants received	18-19	611
(151)	Capital Grants written off to amortisation	20	(284)
100	Other		77
<b>1,756</b>	<b>TOTAL RECOGNISED GAINS / (LOSSES) FOR THE YEAR</b>		<b>7,715</b>

# Financial Statements 2006/07

## BALANCE SHEET AS AT 31 MARCH 2007

31 March 2006 £'000		Note	31 March 2007	
			£'000	£'000
	<b>NET FIXED ASSETS</b>			
466	<b>INTANGIBLE ASSETS</b>	22	614	
	<b>Operational assets</b>			
41,704	Land and Buildings	21	45,491	
2,518	Community Assets	21	2,627	
2,405	Vehicles, Plant and Equipment	21	2,180	
41	Infrastructure Assets	21	41	
	<b>Non-operational assets</b>	21		
16,185	Investment Properties	21	16,677	
690	Surplus Assets for Resale	21	450	
-	Assets Under Construction	21	-	
<b>64,009</b>	<b>TOTAL NET FIXED ASSETS</b>			<b>68,080</b>
197	<b>LONG TERM DEBTORS</b>	23		95
6,883	<b>LONG TERM INVESTMENTS</b>	26		1,000
<b>71,089</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>69,175</b>
	<b>CURRENT ASSETS</b>			
6	Stocks and Work in Progress	25	9	
7,658	Debtors	24	7,296	
9,200	Investments	26	16,760	
509	Cash		-	
				24,065
	<b>LESS: CURRENT LIABILITIES</b>			
4,772	Creditors	27	4,489	
-	Bank Overdraft	33	582	
				5,071
<b>83,690</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>88,169</b>
	<b>LESS: LONG TERM LIABILITIES</b>			
16,103	Pension Liability	11		13,046
111	Deferred Capital Receipts	28		53
848	Government Grants Deferred	29		727
<b>66,628</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>74,343</b>

## Financial Statements 2006/07

31 March 2006 £'000		Note	31 March 2007	
			£'000	£'000
	<b>BALANCES AND RESERVES</b>			
9,895	Usable Capital Receipts Reserve	18		9,448
670	Capital Contributions Unapplied	18		606
48,706	Fixed Asset Restatement Account	19		53,361
13,252	Capital Financing Account	20		12,590
1,364	Capital Contributions Deferred	20		1,562
4,019	General Fund Reserve	17		3,762
(463)	Collection Fund	17		614
5,288	Strategic Reserves	17		5,446
(16,103)	Pensions Reserve	11		(13,046)
<b>66,628</b>	<b>TOTAL BALANCES AND RESERVES</b>			<b>74,343</b>

# Financial Statements 2006/07

## CASH FLOW STATEMENT

	Note	2005/06 £'000	2006/07 £'000
<b>REVENUE ACTIVITIES</b>			
<b><u>Cash outflows</u></b>			
Cash paid to and on behalf of employees		(8,368)	(8,703)
Other operating cash payments		(13,110)	(14,062)
Housing Benefit paid out		(9,699)	(10,868)
National non-domestic rate payments to national pool		(21,157)	(21,460)
Precepts paid		(32,464)	(34,648)
<b>Total Revenue Cash Outflows</b>		<b>(84,798)</b>	<b>(89,741)</b>
<b><u>Cash inflows</u></b>			
Rents (after rebates)		8	5
Council Tax receipts		36,943	40,328
National non-domestic rate receipts		19,374	20,962
National non-domestic rate receipts from national pool		1,956	3,343
Revenue Support Grant		1,675	645
DWP Grants for benefits		10,035	10,856
Other government grants	34	3,369	3,666
Cash received for goods and services		10,899	10,606
<b>Total Revenue Cash Inflows</b>		<b>84,259</b>	<b>90,411</b>
<b>Net Cash Inflow/(Outflow) from Revenue Activities</b>	<b>32</b>	<b>(539)</b>	<b>670</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Investment Income Received</b>		<b>751</b>	<b>744</b>
<b>CAPITAL ACTIVITIES</b>			
<b><u>Cash outflows</u></b>			
Purchase of fixed assets		(2,569)	(946)
Other capital cash payments		(831)	(1,319)
Change in long term investments		-	-
<b>Total Capital Cash Outflows</b>		<b>(3,400)</b>	<b>(2,265)</b>
<b><u>Cash inflows</u></b>			
Sale of fixed assets		2,365	377
Other capital cash receipts		932	305
Capital grants received	34	970	755
<b>Total Capital Cash Inflows</b>		<b>4,267</b>	<b>1,437</b>
<b>Net Cash Inflow/(Outflow) from Capital Activities</b>		<b>867</b>	<b>(828)</b>
<b>Net Cash Inflow/(Outflow) before Financing</b>		<b>1,079</b>	<b>586</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(Increase) decrease in short term deposits	33	<b>(272)</b>	<b>(1,677)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>33</b>	<b>807</b>	<b>(1,091)</b>

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# Financial Statements 2006/07

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Net Cost of Services

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

### 2. Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. Revenue expenditure under this provision amounted to £182,730 in 2006/07, compared to £143,420 in 2005/06. This expenditure was incurred mainly on grants to various organisations.

### 3. Publicity

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

2005/06 £'000		2006/07 £'000
110	Recruitment Advertising	71
60	Other Advertising	72
29	Civic Newspaper	35
66	Other Publicity	39
<b>265</b>	<b>Total</b>	<b>217</b>

### 4. Finance and Operating Leases

The Council has no finance leases but use vehicles for waste and other transports services financed under the terms of an operating lease. The amount paid under these arrangements in 2006/07 was £596,000 (compared to £532,000 in 2005/06). These costs are included in the appropriate frontline service within the net cost of services. The Council is committed to making payments of £684,000 under these leases in 2007/08 all of which expire in 2008/09.

Authority as Lessor - In 2006/07 the Council received £1,117,000 in rental income from its investment properties (compared to £1,051,000 in 2005/06), all of this is income was generated from operating leases.

With regard to the authority's activity as activity as a lessor, the gross value of assets held for use in operating leases was £10,342,000 and was subject to £88,000 depreciation to 31 March 2007.

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# Financial Statements 2006/07

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## 5. Executive Remuneration

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

No. of Staff 2005/06	Remuneration Range	No. of Staff 2006/07
6	£50,000 - £59,999	8
1	£60,000 - £69,999	1
2	£70,000 - £79,999	2
-	£80,000 - £89,999	1
-	£90,000 - £99,999	-
1	£100,000 - £109,999	2
<b>10</b>	<b>Total</b>	<b>14</b>

## 6. Members' Allowances

The total amount of members' allowances paid in 2006/07 was £129,000 (compared to £127,000 in 2005/06).

## 7. Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

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

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

During 2006/07 the Council made grant payments of £78,000 to three 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.

The Council has entered into transactions of £34,000 with Rosebery Housing Association in which 3 members have declared an interest.

## 8. Building Regulations Trading Account

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

## Financial Statements 2006/07

is fully recovered. The statement below shows the total cost of operating the service divided between chargeable and non-chargeable activities for 2006/07.

2005/06 Total £'000		2006/07 Chargeable £'000	2006/07 Non - Chargeable £'000	2006/07 Total £'000
	<b><u>Expenditure</u></b>			
(209)	Employee expenses	(123)	(75)	(198)
(21)	Premises	(7)	(4)	(11)
(4)	Supplies and services	(8)	(1)	(9)
(187)	Central and support service charges	(104)	(64)	(168)
<b>(421)</b>	<b>Total Expenditure</b>	<b>(242)</b>	<b>(144)</b>	<b>(386)</b>
	<b><u>Income</u></b>			
273	Building regulations charges	260	0	260
0	Miscellaneous income	0	1	1
<b>273</b>	<b>Total Income</b>	<b>260</b>	<b>1</b>	<b>261</b>
<b>(148)</b>	<b>SURPLUS (DEFICIT) FOR YEAR</b>	<b>18</b>	<b>(143)</b>	<b>(125)</b>

The trading position over the three year period is:

	Chargeable £'000	Non - Chargeable £'000	Total £'000
2004/05	21	(146)	(125)
2005/06	28	(176)	(148)
2006/07	18	(143)	(125)
<b>Total Surplus / (deficit)</b>	<b>67</b>	<b>(465)</b>	<b>(398)</b>

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## 9. Audit Costs

In 2006/07 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2005/06 £'000		2006/07 £'000
86	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	81
3	Fees payable to the Audit Commission in respect of statutory inspection	6
23	Fees payable to the Audit Commission for the certification of grant claims and returns	23
0	Fees payable in respect of other services provided by the appointed auditor	0
<b>112</b>	<b>Balance to Income and Expenditure Account</b>	<b>110</b>

## 10. Investment Income

Interest and investment income for the year amounted to £1.1 million, with the average rate of return achieved of 4.79 % (compared to 5.06% in 2005/06). An analysis of this income and how it was distributed is shown below.

2005/06 £'000		2006/07 £'000
85	Long Term Gilts	85
239	Other Investments (internal)	383
675	Other Investments (external)	613
<b>999</b>	<b>Total Interest and Investment Income</b>	<b>1,081</b>
788	Income credited to General Fund	851
189	Income credited to revenue reserves	198
22	Income credited to other accounts	32

## 11. Pension Costs

### Participation in Pension Schemes

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

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

### Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year,

## Financial Statements 2006/07

so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2005/06 £'000		2006/07 £'000
	<b>Income and Expenditure Account</b>	
	<i>Net Cost of Services:</i>	
1,050	Current service cost	1,374
40	Past service cost	20
-	Curtailment and settlements	3
	<i>Net Operating Expenditure:</i>	
2,630	Interest cost	2,760
(2,300)	Expected return on assets in the scheme	(2,746)
<b>1,420</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>1,411</b>
	<b>Statement of Movement in the General Fund Balance</b>	
(1,420)	Reversal of net charges made for retirement benefits in accordance with FRS17	(1,411)
	<i>Actual amount charged against council tax for pensions in the year:</i>	
1,371	Employers' contributions payable to scheme	1,414

### Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2007 are as follows:

2005/06 £'000		2006/07 £'000
(56,853)	Estimated liabilities in scheme	(56,373)
40,750	Estimates assets in scheme	43,327
<b>(16,103)</b>	<b>Net asset / (liability)</b>	<b>(13,046)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £13m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £74m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

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

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Surrey County Council Fund liabilities have been 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 2004.

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The main assumptions used in their calculations have been:

2005/06		2006/07
3.1%	Rate of inflation	3.2%
4.6%	Rate of increase in salaries	4.7%
3.1%	Rate of increase in pensions	3.2%
4.9%	Rate for discounting scheme liabilities (NB based on 2.1% real)	5.4%

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:

2005/06				2006/07		
Value at 31 Mar 2006 £'000	Long-term Return	Percentage of funds assets		Value at 31 Mar 2007 £'000	Long-term Return	Percentage of funds assets
30,570	7.4%	75%	Equity Investments	32,068	7.8%	74%
7,180	4.6%	17%	Bonds	7,720	4.9%	18%
2,130	5.5%	6%	Property	2,705	5.8%	6%
690	4.6%	2%	Cash	835	4.9%	2%
<b>40,750</b>		100%		<b>43,327</b>		100%

The average long term-term return for assets held were 6.8% for 2005/06 and 7.1% for 2006/07.

## Actuarial Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as percentage of assets or liabilities at 31 March 2007:

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on assets	(8,100)	-	4,310	13.7	1,280	3.9	5,670	13.9	-	-
Differences between actuarial assumptions about liabilities and actual experience	-	-	253	0.6	657	1.3	(140)	(0.2)	224	0.4
Changes in financial assumptions underlying the present value of scheme liabilities	-	-	-	-	(6,600)	(13.5)	(5,480)	(9.7)	2,829	(5.0)
<b>Total Actuarial Gains / (Losses)</b>	<b>(8,100)</b>		<b>4,563</b>		<b>(4,663)</b>		<b>50</b>		<b>3,053</b>	

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

2005/06 £'000		Note	2006/07 £'000
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(151)	Amortisation of intangible fixed assets	15	(176)
(1,839)	Depreciation and impairment of fixed assets		(1,679)
151	Government Grants Deferred Amortisation		423
(540)	Write downs of deferred charges to be financed from capital resources	15	(577)
(70)	Net loss on sale of fixed assets		(58)
(49)	Net charges made for retirement benefits in accordance with FRS17		2
<b>(2,498)</b>			<b>(2,065)</b>
	<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
0	Minimum revenue provision for capital financing		0
92	Capital expenditure charged in-year to the General Fund Balance	14	14
(33)	Appropriations from usable capital receipts for pooled housing receipts		(37)
<b>59</b>			<b>(23)</b>
	<b>Transfer to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
1,419	Net transfers to or from earmarked reserves		174
<b>1,419</b>			<b>174</b>
<b>(1,020)</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>		<b>(1,914)</b>

## 13. Contributions To / From Strategic Revenue Reserves

A net contribution of £174,000 was made to Strategic Revenue Reserves from the General Fund in 2006/07 (compared to a net contribution of £1,396,000 to the General Fund in 2005/06).

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## 14. Revenue Contributions to Capital

A net contribution of £14,000 was set aside from revenue to finance capital expenditure in 2006/07 compared to a £92,000 contribution in 2005/06.

## 15. Deferred / Intangible Charges

Deferred charges are capital expenditure incurred on improvements to assets not owned by the authority, improvement grants or other areas where no tangible fixed asset was created, which are written off to the revenue account over the estimated period of economic benefit to the authority, normally one year. The amounts written down are charged to the appropriate front line service within the net cost of services and financed from either a transfer from the Capital Financing Account or matched against any government grant funding such that the net effect on the general fund reserve is neutral. In summary for 2006/07:

2005/06 £'000		2006/07 £'000
728	Deferred Charges Written Off	934
(188)	Less Government Grant Funding	(357)
<b>540</b>		<b>577</b>
151	Intangible Charges Written Off	176
<b>691</b>	<b>Transfer from Capital Financing Account</b>	<b>753</b>

A summary of deferred charges for 2006/07 is shown below.

2005/06 Expenditure less Amounts w/off £'000		Balance brought forward at 1 April 2006 £'000	Expenditure 2006/07 £'000	Amounts written off 2006/07 £'000	Balance Carried Forward 31 March 2007 £'000
-	Improvement Grants	-	415	(415)	-
-	Other	-	519	(519)	-
-	<b>TOTAL</b>	-	<b>934</b>	<b>(934)</b>	-

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

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

Reserve	Balance 01-Apr- 06 £000s	Net Movement in Year £000s	Balance 31-Mar- 07 £000s	Purpose of Reserve	Further Detail of Movements
Fixed Asset Restatement Account	48,706	4,655	53,361	Store of gains on revaluation of fixed assets	Note 19 to the Core Financial Statements
Capital Financing Account	13,252	(662)	12,590	Store of capital resources set aside to meet past expenditure	Note 20 to the Core Financial Statements
Usable Capital Receipts	9,895	(447)	9,448	Proceeds of fixed asset sales available to meet future capital investment	Note 18 to the Core Financial Statements
Pensions Reserve	(16,103)	3,057	(13,046)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 11 to the Core Financial Statements
General Fund	4,019	(257)	3,762	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance page 20
Strategic Reserves	5,288	158	5,446	Earmarked resources to provide funding for specific areas	Note 17 to the Core Financial Statements
Collection Fund	(463)	1,077	614	Balance held on council tax and nndr	Collection Fund Income & Expenditure Account page 46
Other Reserves	2,034	134	2,168	Capital Contributions Deferred and Unapplied	Notes 18 & 20 to the Core Financial Statements
	<b>66,628</b>	<b>7,715</b>	<b>74,323</b>		

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### 17. Movements in Revenue Reserves

	General Fund Balances £'000	Collection Fund £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
Surplus / (deficit) for 2006/07	(257)	1,077	-	-
Appropriations to / from revenue	-	-	157	3
Actuarial gains and losses relating to pensions	-	-	-	3,053
	<b>(257)</b>	<b>1,077</b>	<b>157</b>	<b>3,056</b>
<b>Balance brought forward at 1 April 2006</b>	<b>4,019</b>	<b>(463)</b>	<b>5,288</b>	<b>(16,103)</b>
<b>Balance carried forward at 31 March 2007</b>	<b>3,762</b>	<b>614</b>	<b>5,445</b>	<b>(13,047)</b>

	Balance at 1 April 2006 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance at 31 March 2007 £'000
<b>Current Balances</b>					
General Fund	4,019	35,754	(35,977)	(34)	3,762
Collection Fund	(463)	59,479	(58,436)	34	614
<b>Total Current Balances</b>	<b>3,556</b>	<b>95,233</b>	<b>(94,413)</b>	<b>0</b>	<b>4,376</b>
<b>Strategic Reserves</b>					
Insurance	597	28			625
Repairs and Renewals	807	90	(27)		870
Interest Equalisation	585	28			613
VAT Reserve	100	62			162
Planning Delivery Grant Reserve	190	19			209
Property Maintenance	192	6			198
Commuted Sums	2,083	97	(170)	(45)	1,965
Hospital Cluster Interest	89	33			122
Corporate Project Reserve*	386			45	431
Section 106 Receipts	94				94
Community Safety	120	15	(47)		88
Historic Buildings	26	1			27
Local Partnership Fund	3	2	(1)		4
Young People Partnership Fund	16		(2)	(2)	12
Yell Funds	0	1		2	3
Training Reserve	0	22			22
<b>Total Strategic Reserves</b>	<b>5,288</b>	<b>404</b>	<b>(247)</b>	<b>0</b>	<b>5,445</b>
<b>Total Revenue Reserves</b>	<b>8,844</b>	<b>95,637</b>	<b>(94,660)</b>	<b>0</b>	<b>9,821</b>

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### 18. Movements in Realised Capital Resources

	Usable Capital Receipts £'000	Capital Contributions Unapplied £'000	Total  £'000
Balance brought forward at 1 April 2006	9,895	670	10,565
Amounts held on behalf of other parties	-	(18)	(18)
Amounts receivable in 2006/07	870	455	1,325
Amounts receivable for pooled housing receipts	53	-	53
Amounts due Government Pool housing receipts	(37)	-	(37)
Amounts applied to finance new capital investment	(1,333)	(501)	(1,834)
<b>Total Increase (decrease) in realised capital resources</b>	<b>(447)</b>	<b>(64)</b>	<b>(511)</b>
<b>Balance Carried Forward at 31 March 2007</b>	<b>9,448</b>	<b>606</b>	<b>10,054</b>

Finance of new capital investment has been applied to following

	£'000	£'000	Total £'000
Capital Financing Account	1,333		1,333
Capital Contributions Deferred		482	482
Government Grants Deferred		19	19
<b>Total Financing</b>	<b>1,333</b>	<b>501</b>	<b>1,834</b>

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

The capital contributions unapplied reserve represents the balance of capital grants from central government and capital receipts from developers from Section 106 agreements, which the Council can use for specific capital purposes as outlined in the terms of the individual government grants and Section 106 agreements.

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## 19. Fixed Asset Restatement Account

The local authority capital accounting requirements provided for the establishment of a fixed asset restatement account with effect from 1 April 1994. 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.

	<b>Fixed Asset Re-statement Account £'000</b>
Balance brought forward at 1 April 2006	48,706
<b><u>Movements in unrealised value of fixed assets</u></b>	
Gains (losses) on revaluation of fixed assets in 2006/07	5,352
Impairment losses on fixed assets due to general change in prices 2006/07	-
<b>Total Increase (Decrease) in Unrealised Capital Resources 2006/07</b>	<b>5,352</b>
<b><u>Value of Assets Sold Disposed of or Decommissioned</u></b>	
Amounts written off fixed asset balances for disposals in 2006/07	(697)
<b>Total Movement on Account in 2006/07</b>	<b>4,655</b>
<b>Balance Carried Forward at 31 March 2007</b>	<b>53,361</b>

## 20. Movements in Amounts Set Aside to Finance Capital Investment

The capital financing account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans (Provision for Credit Liabilities) and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid or applied to finance capital expenditure. As at 31 March 2007 the authority is debt free.

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

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

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	Capital Financing Account £'000	Capital Contributions Deferred £'000	Total £'000
Balance brought forward at 1 April 2006	13,252	1,364	14,616
<b><u>Capital receipts set aside in 2006/07</u></b>			
- reserved receipts	-	-	-
- usable receipts applied	1,333	-	1,333
- reserved receipts applied	-	-	-
<b>Total Capital Receipts Set Aside in 2006/07</b>	<b>1,333</b>	<b>-</b>	<b>1,333</b>
<b><u>Revenue resources set aside in 2006/07</u></b>			
- capital expenditure financed from revenue	14	-	14
- Income and Expenditure Account appropriations re deferred charges and depreciation	(2,009)	-	(2,009)
<b>Total Revenue Resources Set Aside in 2006/07</b>	<b>(1,995)</b>	<b>-</b>	<b>(1,995)</b>
<b><u>Movement on Capital Contributions Deferred</u></b>			
- grants applied to capital investment in 2006/07	-	482	482
- amounts credited to general fund	-	(284)	(284)
<b>Total Movement on Capital Contributions Deferred</b>	<b>-</b>	<b>198</b>	<b>198</b>
<b>Total Increase (Decrease) in Amounts Set Aside to Finance Capital Investment</b>			<b>(464)</b>
<b>Movement on Reserve 2006/07</b>	<b>(662)</b>	<b>198</b>	
<b>Balance Carried Forward at 31 March 2007</b>	<b>12,590</b>	<b>1,562</b>	

### 21. Fixed Assets

#### Fixed Asset Valuation

The Borough Council's property portfolio was valued as at 1 April 1994 with all properties subject to a rolling five year revaluation, with approximately one fifth of properties being revalued each year. Valuations carried out in 2006/07 included the Harrier Centre and track at Poole Road Recreation Ground, Bourne Hall (including the Health Centre), Ewell Court House and the Ebbisham Centre. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors. Those properties revalued in 2006/07 account for £11.796 million of the net book value of assets at 31 March 2007.

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of material improvements. There was no impairment on assets in 2006/07.

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Properties are valued on the basis set out in the Statement of Accounting Policies on pages 11 to 18.

### Depreciation

Assets are depreciated in accordance with the requirements of Financial Reporting Standard 15 as set out in Statement of Accounting Policies on pages 11 to 18.

### Capital Expenditure

Capital expenditure of £2.2 million was incurred in 2006/07 as follows.

2005/06 £'000		2006/07 £'000
2,569	Fixed Assets	946
728	Deferred Charges	934
116	Intangibles	323
<b>3,413</b>	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>2,203</b>

Funding of capital expenditure in 2006/07 is detailed below.

2005/06 £'000		2006/07 £'000
1,834	Capital Reserves	1,333
425	Government Grants	368
92	Revenue	14
355	Section 106 Receipts	488
707	Football Foundation Grant	0
<b>3,413</b>	<b>TOTAL</b>	<b>2,203</b>

### Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2007 amounts to £104,624 as listed below.

2005/06 £'000		2006/07 £'000
110	Replacement of Financial Ledger – (Hardware & Software)	0
31	Replacement of boilers at Bourne Hall	0
21	Installation bridge within Park	0
0	Hook Road MSCP Grilles	26
0	Town Hall Lighting	30
0	Ewell Court House Kitchen	41
0	Countryside improvements	7
<b>162</b>	<b>Total</b>	<b>104</b>

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## Disposals

The Council disposed of 2 properties in 2006/07.

## Movements In Fixed Assets

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

	Land and buildings £'000	Community assets £'000	Vehicles, plant and equipment £'000	Infrastructure assets £'000	Investment properties £'000	Surplus Assets for Resale £'000	Assets under construction £'000	Total £'000
Gross book value as at 1 April 2006	45,164	2,518	4,757	41	16,185	690	0	69,355
Cumulative Depreciation	(3,459)	0	(2,352)	0	0	0	0	(5,811)
Cumulative Impairment	0	0	0	0	0	0	0	0
<b>Net book value as at 1 April 2006</b>	<b>41,705</b>	<b>2,518</b>	<b>2,405</b>	<b>41</b>	<b>16,185</b>	<b>690</b>	<b>0</b>	<b>63,544</b>
Reclassifications	0	0	0	0	0	0	0	0
Additions	134	346	259	0	206	0	0	945
Disposals	0	(202)	(178)	0	0	(495)	0	(875)
Revaluations	4,847	(35)	0	0	285	255	0	5,352
Increase (decrease) in Gross Book Value	4,981	109	81	0	491	(240)	0	5,422
Depreciation charged in year	(1,195)	0	(484)	0	0	0	0	(1,679)
Depreciation written out	0	0	178	0	0	0	0	178
Impairment charged in year	0	0	0	0	0	0	0	0
Impairment written out	0	0	0	0	0	0	0	0
Increase (decrease) in Depreciation and Impairment	(1,195)	0	(306)	0	0	0	0	(1,501)
<b>Gross book value as at 31 March 2007</b>	<b>50,145</b>	<b>2,627</b>	<b>4,838</b>	<b>41</b>	<b>16,676</b>	<b>450</b>	<b>0</b>	<b>74,777</b>
Cumulative Depreciation	(4,654)	0	(2,658)	0	0	0	0	(7,312)
Cumulative Impairment	0	0	0	0	0	0	0	0
<b>Net book value as at 31 March 2007</b>	<b>45,491</b>	<b>2,627</b>	<b>2,180</b>	<b>41</b>	<b>16,676</b>	<b>450</b>	<b>0</b>	<b>67,465</b>

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Details of the Council's main property assets at 31 March 2007 is summarised below

2006		2007
3	Community and Day Centres	3
1	Leisure Centres	1
1	Cemeteries	1
3	Public Conveniences	3
1	Depots	1
1	Theatres	1
3	Public Halls	3
1	Administrative Buildings	1
38	Non-Operational Properties	37
5	Staff Housing	4
2,391	Open Space (acres)	2,391
11	Car Parks	11
1	Ebbisham Centre	1

### Valuation Information

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

	Land, Buildings £'000	Community Assets £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Investment Properties £'000	Surplus To Requirements £'000	Total £'000
Valued at historical cost	50	2,558	-	41	-	-	2,649
Valued at current value in:							
2001/02	345	-	-	-	-	-	345
2002/03	11,770	3	515	-	155	-	12,443
2003/04	12,064	13	1,104	-	7,758	-	20,939
2004/05	13,712	53	-	-	109	450	14,324
2005/06	-	-	-	-	8,135	-	8,135
2006/07	12,203	-	3,219	-	520	-	15,942
<b>Total</b>	<b>50,144</b>	<b>2,627</b>	<b>4,838</b>	<b>41</b>	<b>16,677</b>	<b>450</b>	<b>74,777</b>

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### 22. Intangible Assets

	Purchased software licences £'000	Licences / trademarks and artistic originals £'000	Patents £'000	Total £'000
Original Cost	743	-	-	743
Amortised to 1 April 2006	(277)	-	-	(277)
Balance at 1 April 2006	466	-	-	466
Expenditure in Year	323	-	-	323
Written off to revenue in year	(176)	-	-	(176)
<b>Balance at 31 March 2007</b>	<b>613</b>	<b>-</b>	<b>-</b>	<b>613</b>

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

### 23. Long Term Debtors

Long term debtors due at 31 March 2007 relate to the balance of mortgages due on the sale of ex council sales, and the balance of staff car loans, not due within the next financial year.

2005/06 £'000		2006/07 £'000
118	Mortgages	46
79	Other	49
<b>197</b>	<b>Total</b>	<b>95</b>

### 24. Debtors

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

2005/06 £'000		2006/07 £'000
4,391	Government Departments	2,690
5	Other Local Authorities	1
655	Council Tax Payers	1,627
699	Non Domestic Ratepayers	806
2,257	Other Debtors	2,784
<b>8,007</b>	<b>Total Debtors</b>	<b>7,908</b>
(349)	Less Provision for Bad Debts	(612)
<b>7,658</b>	<b>Total</b>	<b>7,296</b>

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The provision for bad debts has increased to £612,000 as at 31 March 2007 of which 70% relates to Council Tax and Non Domestic Ratepayers, as detailed below.

2005/06 £'000		2006/07 £'000
44	General	103
158	Council Tax Payers	338
71	Non Domestic Ratepayers	93
22	Housing Rents	20
54	Housing Benefit Overpayments	58
<b>349</b>	<b>Total</b>	<b>612</b>

### 25. Stocks and Work in Progress

A summary of the stocks held at 31 March 2007 is detailed below. The Council had no works in progress in 2005/06 or 2006/07.

2005/06 £'000		2006/07 £'000
6	Other	9
<b>6</b>	<b>Total</b>	<b>9</b>

### 26. Investments

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

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

A summary of investments at 31 March 2007 and comparison with 31 March 2006 are shown below.

31 March 2006			31 March 2007	
Cost £'000	Market Valuation £'000		Cost £'000	Market Valuation £'000
		<b><u>Long Term Investments</u></b>		
3,610	3,661	Internally managed	1,000	1,000
3,273	3,270	Externally managed	0	0
<b>6,883</b>	<b>6,931</b>	<b>Sub Total</b>	<b>1,000</b>	<b>1,000</b>
		<b><u>Current Asset Investments</u></b>		
2,000	2,000	Internally managed	4,460	4,511
7,200	7,304	Externally managed	12,300	12,588
<b>9,200</b>	<b>9,304</b>	<b>Sub Total</b>	<b>16,760</b>	<b>17,099</b>
<b>16,083</b>	<b>16,235</b>	<b>TOTAL INVESTMENTS</b>	<b>17,760</b>	<b>18,099</b>

## Financial Statements 2006/07

### 27. Creditors

A summary of creditors is detailed below.

2005/06 £'000		2006/07 £'000
218	Government Departments	229
89	Other Local Authorities	86
754	Council Tax and Community Charge Payers	848
336	Non Domestic Ratepayers	406
3,375	Other Creditors	2,920
<b>4,772</b>	<b>Total</b>	<b>4,489</b>

### 28. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets and are receivable over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under Long Term Debtors (see note 22).

### 29. Government Grants Deferred

2005/06 £'000		2006/07 £'000
762	Balance Brought Forward	848
237	Grants applied to capital investment	19
(151)	Amounts credited to General Fund	(139)
<b>848</b>	<b>Balance Carried Forward</b>	<b>727</b>

### 30. Analysis of Net Assets Employed

In 2006/07 the net assets of Epsom and Ewell Borough Council were employed as follows:

2005/06 £'000		2006/07 £'000
66,628	General Fund	74,343
-	Trading Operations	-
<b>66,628</b>	<b>Total</b>	<b>74,343</b>

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

	31 March 2006 £'000	31 March 2007 £'000	Movement £'000
Current Asset Investments	9,200	16,760	7,560
Long Term Borrowing	0	0	0
<b>Net Cash Flow</b>	<b>9,200</b>	<b>16,760</b>	<b>7,560</b>

## Financial Statements 2006/07

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

	2006/07 £'000
<u>Movement in Fund Balances</u>	
- Surplus / (Deficit) for the year on the Income & Expenditure Account	(2,171)
- Provision for depreciation	1,679
- Deferred charges	330
- Collection Fund	1,077
	915
<u>Movement in Current Assets</u>	
Decrease / (Increase) in Stocks and Work in Progress	(3)
Decrease / (Increase) in Debtors	863
Decrease / (Increase) in Payments in advance	32
	892
<u>Movement in Current Liabilities</u>	
(Decrease) / Increase in Creditors	(156)
(Decrease) / Increase in Receipts in advance	(58)
	(214)
<u>Items Classified in Another Classification in the Cash Flow Statement</u>	
Transfers to / (from) Reserves	158
Investment Income	(1,081)
<b>Net Cash Flow From Revenue Activities</b>	<b>670</b>

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

	31 March 2006 £'000	31 March 2007 £'000	Movement £'000
Cash in Hand	1	1	-
Cash at Bank	508	(583)	(1,091)
	509	(582)	(1,091)
Debt due after 1 year	-	-	-
Debt due within 1 year	-	-	-
	-	-	-
Current asset investments	9,200	16,760	7,560
Long term investments	6,883	1,000	(5,883)
	16,083	17,760	1,677
<b>Net Funds / (Debt)</b>	<b>16,592</b>	<b>17,178</b>	<b>586</b>

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

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## Financial Statements 2006/07

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The Council had no net debt at the 1 April 2006 or at any point during the year.

### 34. Other Government Grants

Cash received in the year was as follows:

	31 March 2006 £'000	31 March 2007 £'000
Council Tax Benefit	2,495	2,824
Benefit Administration Grant	240	342
Planning Delivery Grant	422	311
Recycling Grant	24	63
ODPM Homelessness Grant	53	75
Community Safety Grants	120	27
Disabled Facilities Grant	188	207
E-Government Grant	150	-
Contaminated Land Grant	-	38
<b>Total</b>	<b>3,692</b>	<b>3,887</b>

### 35. Events after Balance Sheet Date

There have been no significant events arising after the balance sheet date of 26 June 2007 which is when the statement of accounts was put before members.

## Financial Statements 2006/07

### COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	2005/06 £'000	2006/07 £'000
Income :-		
Council Tax Income	34,780	37,860
Transfers from General Fund		
- Council Tax Benefits	2,163	2,368
Contributions		
- Adjustment of Previous Years' Collection Fund Deficit	86	34
Income Collectable from Non Domestic Ratepayers	18,244	19,804
	55,273	60,066
Expenditure :-		
Precepts and Demands	36,579	38,971
Non Domestic Rates		
- Payments to National Pool	18,150	19,713
- Costs of Collection	94	92
Bad and Doubtful Debts		
- Write Offs	53	42
- Provisions	(33)	171
	54,843	58,989
Movement on Fund Balance	430	1,077
Balance Brought Forward at 1 April	(893)	(463)
<b>Balance Carried Forward at 31 March</b>	<b>(463)</b>	<b>614</b>

# Financial Statements 2006/07

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE

Band	Total Properties For Band	Proportion To Band D	Relevant Amount for Band
A	104.70	6/9 <sup>th</sup>	69.80
B	900.85	7/9 <sup>th</sup>	700.66
C	3,551.75	8/9 <sup>th</sup>	3,157.11
D	7,130.95	9/9 <sup>th</sup>	7,130.95
E	6,860.40	11/9 <sup>th</sup>	8,384.93
F	3,966.40	13/9 <sup>th</sup>	5,729.24
G	3,499.25	15/9 <sup>th</sup>	5,832.08
H	106.90	18/9 <sup>th</sup>	213.80
Aggregate of Relevant Amounts			31,218.57
Estimated Collection			99.00%
Council Tax Base			30,906.38

### 1. Non-Domestic Rates Statistics

	2005/06	2006/07
Total Non-Domestic Rateable Value at year end	£56,596,840	£54,936,250
National Non-Domestic Rate Multiplier	42.2	43.3
National Non-Domestic Rate Charged in year after allowing for reliefs and other deductions	£17,828,926	£19,264,201

### 2. Collection Fund

The level of arrears on the Council Tax payers account was understated by £728,000. This has now been corrected and taken into account and the collection fund statement for 2006/07 has been adjusted to reflect this change.

### 3. Precepting Bodies

	2005/06	2006/07
	£,000	£'000
Surrey County Council	27,805	29,642
Surrey Police	4,660	5,006
Epsom & Ewell Borough Council	4,114	4,323
<b>Total Precepts on Collection Fund</b>	<b>36,579</b>	<b>38,971</b>

# Financial Statements 2006/07

## TRUST FUNDS AS AT 31 MARCH 2007

The Council acts as one of several trustees for a further 8 funds but does not act as sole trustee for any of the funds.

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

	<b>2005/06</b>	<b>2006/07</b>
	<b>Capital Value of Fund</b>	<b>Capital Value of Fund</b>
	<b>£'000</b>	<b>£'000</b>
<b>Chuter Ede</b> used to assist university students resident in the Borough.	32	31
<b>Elizabeth Welchman</b> used to assist with the maintenance of gardens.	1	1
<b>A.C. Hoare</b> distributed among three schools.	7	7
<b>Mayors Charity Fund</b> used to assist with the cost of holidays for disabled persons resident in the Borough	1	1
<b>Hilary Senior Charitable Gift</b> used to finance a model of Waterloo House (kept in Bourne Hall).	2	2
<b>Public Streets Works</b> used to assist with the maintenance of private streets	16	17
<b>Millennium Race Horse Appeal</b> used to maintain a horse statue at the Ebbisham Centre.	(12)	(12)
<b>Eber Kington Active Citizen Award</b> used to purchase awards to recognise citizen achievements	1	1
<b>Totals</b>	<b>47</b>	<b>47</b>