



# **STATEMENT OF ACCOUNTS 2009/10**

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# Statement of Accounts 2009/10

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## Statement of Accounts 2009/10

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### APPROVAL OF STATEMENT OF ACCOUNTS

The attached Statement of Accounts were approved by the Strategy and Resources Committee of Epsom and Ewell Borough Council (the Council), in accordance with the Council's Constitution, on 28 September 2010.

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

**Date: 28/9/2010**

### CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that the statement of accounts for the financial year 2009/10 set out on pages 26 to 71 attached, presents a true and fair view of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

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

**Date: 28/9/2010**

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# Statement of Accounts 2009/10

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## INDEPENDENT AUDITOR'S REPORT

### Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Epsom and Ewell Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Epsom and Ewell Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### Respective responsibilities of the Director of Finance and auditor

The Director of Finance responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting 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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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# Statement of Accounts 2009/10

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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 accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## **Opinion**

In my opinion the Authority's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

## **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 regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Epsom and Ewell Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## **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.

Paul Grady

District Auditor

Audit Commission,  
1st Floor, City Executive Centres,  
Crossweys, 28-30 High Street,  
Guildford, Surrey. GU1 3HY

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# Statement of Accounts 2009/10

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## EXPLANATORY FOREWORD

### Introduction

1. This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position.
2. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.
3. There have been some minor changes to the presentation of the accounts with effect from 2009/10. These changes are detailed below.
  - The council tax income included in the income and expenditure account for the year comprises accrued income for the year as opposed to the regulatory amount in previous years. The balance sheet now shows only the Council's element of the Collection Fund balance, not the balance of the whole Fund as previously.
  - Some notes have been deleted.
    - Section 137 Expenditure
    - Expenditure on Publicity
    - Income under Local Authorities Goods and Services Act.
    - Building Control Account
  - Officers' remuneration disclosure has been changed to reflect the new Statement of Recommended Practice (SORP) requirement. If employees are paid more than £150,000, then the title of the post and employee's name should be disclosed. The Council has no officers that meet this criterion. Further disclosure has been provided for senior posts identifying total remuneration.
4. Changes are being introduced in order to conform to UK Generally Accepted Accounting Practices or to comply with the SORP and to make local authorities' accounts more akin to those found in the private sector.
5. For comparative purposes, in accordance with the requirements of FRS 3, all comparator figures for 2009/10 have been restated where possible and material.
6. The Council's accounts for the year 2009/10 are set out on pages 26 to 68 and have been prepared in accordance with the Code of Practice on Local Authority Accounting. The code has been endorsed by the Local Authority Association and the Accounting Standards Board. The statements provide a concise picture of the Council's financial position for the year ended 31 March 2010 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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## Statement of Accounts 2009/10

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**Statement of Total Recognised Gains and Losses(STRGL)**, 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 2010;

**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 statements, notes and supporting information is provided.

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

**Trust and Other Funds Balance Sheet** which sets out the financial position in terms of assets and liabilities as at 31 March 2010 of those funds administered by the Council.

### Council Tax Accounts

8. Total precept requirements were £1,442.11 per Band D property. This comprised £1,089.18 for Surrey County Council, £193.86 for Surrey Police and £159.07 for Epsom and Ewell Borough Council. The precept levied by the Council was determined after taking account of income from nationally redistributed Business Rates of £3.39 million and Revenue Support Grant of £0.78 million. The resultant precept on the Collection Fund amounted to £5.04 million.
9. The Council achieved a council tax collection rate of 98.0% (98.3% in 2008/09). Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

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## Statement of Accounts 2009/10

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### General Fund Revenue Account

10. The budget for the year agreed by the Council on 17 February 2009 provided for net expenditure on General Fund services of £9.588 million with a contribution from working balance of £0.279m resulting in a net budget requirement of £9.309 million. This represented an increase of £0.268 million in the net budget requirement compared to the previous year. The main reasons for this increase were:

	£'000	£'000
<u>Reductions in Budgeted Expenditure/Increase in Income</u>		
Additional income from grants and contributions	-298	
Reduced Provision for transport fleet	-95	
	-393	
 <u>Increases in Budgeted Expenditure/Reductions in Income</u>		
Provision for inflation	+ 364	
Reduction of interest income	+ 510	
Increased Provision for new Waste Strategy	+ 92	
Increased Provision for Utilities and NNDR	+ 94	
Reduction in Fees and Charges	+ 134	
Increased expenditure on Benefit payments	+ 232	
Other Variations in Service Cost	+ 14	
		+1,440
<b>Increase in Total Net Requirement</b>		<b>+1,047</b>
Increased use of working balances		-279
Increased use of interest equalisation reserve		-500
<b>Increase in Net Budget Requirement</b>		<b>+268</b>

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11. Net expenditure 2009/10 by Committee is detailed below.

2008/09 Actual £'000		2009/10		
		Original Budget £'000	Actual £'000	Variance* £'000
3,651	Strategy and Resources Committee	2,379	5,724	3,345
2,169	Environment Committee	2,934	3,170	236
2,524	Social Committee	2,621	2,707	86
6,447	Leisure Committee	3,333	2,088	(1,245)
(5,807)	Asset Rent Landlord Account	(1,679)	(3,978)	(2,299)
<b>8,984</b>	<b>TOTAL</b>	<b>9,588</b>	<b>9,711</b>	<b>123</b>

\* Individual Committee variations include changes to internal recharges.

Net expenditure 2009/10 by Subjective is detailed below.

2008/09 Actual £'000		2009/10		
		Original Budget £'000	Actual £'000	Variance* £'000
10,898	Employees	11,288	11,446	158
3,573	Premises related expenses	3,659	3,741	82
5,922	Supplies and services	5,788	6,101	313
479	Third Party payments	722	679	(43)
15,728	Transfer payments	14,657	19,279	4,622
1,102	Transport related expenses	1,332	1,329	(3)
(28,718)	Income	(27,858)	(32,864)	(5,006)
<b>8,984</b>	<b>TOTAL</b>	<b>9,588</b>	<b>9,711</b>	<b>123</b>

\* Individual Committee variations include changes to internal recharges.

12. Net expenditure for the year was £123,000 more than the original estimate, which represents a variation of 1.28% against the Council's net budget requirement.

13. 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:

2008/09 Actual £'000		2009/10		
		Original Budget £'000	Actual £'000	Variance £'000
		3,597	Balance Brought Forward at 1 April 2009	3,435
58	Surplus / (Deficit) for the year	(279)	(402)	(123)
<b>3,655</b>	<b>Balance Carried Forward at 31 March 2010</b>	<b>3,156</b>	<b>3,253</b>	<b>97</b>

# Statement of Accounts 2009/10

## Capital Expenditure

14. 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.
15. The Council spent £2.0 million on capital schemes in 2009/10. A summary of expenditure by committee is shown below and the sources of funding.

2008/09		2009/10		
Actual £'000		Original Budget £'000	Actual £'000	Variance £'000
244	Strategy and Resources	600	848	248
663	Environment Committee	173	558	385
613	Social Committee	1,730	479	(1,251)
669	Leisure Committee	353	103	(250)
<b>2,189</b>	<b>TOTAL</b>	<b>2,856</b>	<b>1,988</b>	<b>(868)</b>

2008/09 £'000		2009/10 £'000
1,326	Capital Receipts	1,336
701	External Contributions	606
164	Revenue Contribution	46
<b>2,191</b>	<b>TOTAL</b>	<b>1,988</b>

16. The Council generated £8,500 of new capital receipts during the year.
17. The balance of the Council's usable capital reserves at 31 March 2010 is £6.2 million (compared to £7.3 million at 31 March 2009).
18. The Council has been debt free since 31 March 1994 and had no debt outstanding at any time during the year.
19. The balance of the Council's pension liability as at 31 March 2010 is £24.2 million (compared to £17.9 million at the 31 March 2009). This is an increase of £6.3 million in the year. See note 9 for further explanation. The Council offers retirement pensions to its staff under a statutory scheme and makes contributions to pension schemes on their behalf. Although the pension benefits are not payable until employees retire, the Council has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the assets (investments) of the pension schemes and the net amount is included in the accounts as the Council's "Pensions Liability". The balance of the Council's pension liability as at 31 March 2010 is £24.2 million (compared to £17.9 million at the 31 March 2009). This is an increase of £6.3 million in the year. See note 9 for further explanation. Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, there are statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the schemes over the remaining working lives of the staff.

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20. The economic downturn has reduced the valuation of fixed assets held by the council. As set out in the notes to the Statement of Accounts, an allowance of £2.7 million has been made for "impairment" or reduction in value covering land, buildings and investment properties. This allowance does not result from a full revaluation of all assets but from five year rolling valuation.

### **Introduction of the Euro**

21. 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 2009 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**

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

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# Statement of Accounts 2009/10

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## STATEMENT OF ACCOUNTING POLICIES

### General Principles

1. The statement of accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009 (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 2010 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 2010, 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 (e.g. 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.

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# Statement of Accounts 2009/10

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## 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 in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

The Council maintains the following main strategic revenue reserves:

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

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

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

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

**Corporate Project Reserve** is maintained as a general corporate contingency against additional scheme costs;

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

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

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

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

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

## Tangible Fixed Assets

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

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

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

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## Statement of Accounts 2009/10

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Assets acquired under finance leases are capitalised in the authority's accounts, together with the liability to pay future rentals. At 31 March 2010 the Council has not acquired any assets under finance lease as per current SORP. Other assets previously acquired under advance and deferred purchase schemes are recognised and included in the balance sheet at their fair value

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

- Land and operational properties are valued on the basis of open market value for existing use or, where this cannot be assessed because there is no market for the asset, the depreciated replacement cost. The only exception to this is new buildings included at the cost of construction and re-valued at the end of the year in which they become fully operational
  - Infrastructure and Community assets are not revalued but included in the balance sheet at historic cost
  - Vehicle, Plant and Equipment, where not integral to the fabric of the building, are shown separately at depreciated replacement cost
  - Non-operational properties (Investment Properties) are valued on the basis of open market value. The only exception to this are those properties which have changed classification from operational buildings since 1998, which are shown at the depreciated replacement cost pending revaluation
  - Assets under construction are valued on the basis of those costs incurred up to the 31 March
  - Surplus Assets for Resale are valued on a basis dependent on the individual asset.
10. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 1993 Code of Practice on Local Authority Accounting.
11. The freehold and leasehold properties which comprise the Council's property portfolio were valued by a suitably qualified external valuer in accordance with the statements of asset valuation and guidance notes of the Royal Institution of Chartered Surveyors. All properties are re-valued within a five year period and additionally to take into account any potential impairment in their value, or upon construction and the completion of material improvements. A review of the balance sheet value of each category of assets is undertaken to establish whether there has been a genuine impairment in the value of assets.
12. The Revaluation Reserve contains revaluation gains recognised since 1 April 2008 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.
13. **Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:
- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
  - otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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14. Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.
15. **Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.
16. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance
17. **Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties and land), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.
18. All fixed assets except freehold land are depreciated on a straight line basis over the period of their useful economic life, in accordance with the requirements of FRS15 as follows:
- Land and Buildings, excluding the land element of the valuation, are depreciated over a 20 to 40 year useful life. Specific buildings are not depreciated on the grounds that the charge would be immaterial due to the length of the useful life, e.g. listed buildings.
  - Infrastructure and Community assets are not depreciated on the grounds that the charge would be immaterial due to either the length of the useful life or that the useful life is indeterminable.
  - Vehicles, Plant and Equipment are depreciated over a 4 to 10 year useful life.
  - Newly acquired assets are not depreciated in the year of acquisition but are charged with a full years depreciation in the year of disposal. Assets in the course of construction are not depreciated until brought into use. Where there is a change in valuation during the year, a full year's depreciation is charged on the new valuation, if materially different.
19. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Intangible Assets

20. Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for

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more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

21. The costs of purchase and development of software is included in the balance sheet as an intangible asset and written off to the revenue account over four years.

### Revenue expenditure funded from capital under statute

22. Revenue expenditure funded from capital under statute represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute 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 Revenue expenditure funded from capital under statute from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.
23. Revenue expenditure funded from capital under statute are now written off to the Income and Expenditure Account immediately on the basis that it is not anticipated that the expenditure will benefit the authority over a period of more than one year.

### Charges to Revenue for Fixed Assets

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

### Leases

26. **Finance Leases** - The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between: a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable). Fixed assets recognised under finance leases are accounted for using the policies applied

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generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life

27. No assets have been acquired under leases in 2009/10.
28. **Operating Leases** - Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### VAT

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

### Financial Assets

30. Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account.

### Pensions

31. These statements have been prepared in accordance with Financial Report Standard (FRS) 17 – Retirement Benefits and include the 2008 SORP amendments. The Balance Sheet shows a Pension liability of £24.2 million, which reduces the net worth of the Council by some 29.2%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Statement of Accounts.
32. The Council pays employer's contributions into the Superannuation Fund, administered by Surrey County Council, for employees who are members of the Local Government Pension Scheme. The basic contribution was set at 15.5% of appropriate employee emoluments for salaried and manual staff. For certain manual employees the employers' contribution is protected at 12.5% of appropriate employee emoluments.
33. 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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## Statement of Accounts 2009/10

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

- The liabilities of the Superannuation Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the Markit iBoxx Sterling Corporate Index, AA over 15 years).
- The assets of the Superannuation fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities – Bid-market value
  - unquoted securities – professional estimate
  - unitised securities – Current Bid Price
  - property – market value.

35. 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.

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## Statement of Accounts 2009/10

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36. Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to the Pensions Reserve after Net Operating Expenditure to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the end of the year.
37. 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 9 to the Core Statement of Accounts (page 38). The disclosure notes within the Statement of Accounts have been prepared in accordance with FRS17.

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

38. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.
39. 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 Statement of Accounts at the lower of either cost or net realisable value. The reason for the variation in accounting treatment is that amounts of stock held are not material and that it is not practical to follow SSAP 9 requirements for stock items held by the Council.

### **Government Grants and Contributions**

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

### **Executive Remuneration**

41. Remuneration is disclosed in note 3 of the Core Statement of Accounts (page 31). The number of employees in the year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000 starting from £50,000 is shown. For this purpose, 'remuneration' means all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash. Also any employees who are paid more than £150,000 should be named along with job title. Further disclosure has been provided for senior posts identifying total remuneration.

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# Statement of Accounts 2009/10

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## Interest Rates

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

## Overheads and Support Services

43. The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
  - Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

## Council Tax Income

### The Collection Fund

44. Epsom and Ewell Borough Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect council tax and national non-domestic rates (NNDR). The funds' key features relevant to accounting for council tax in the core Statement of Accounts are:
- (a) In its capacity as a billing authority an authority acts as an agent: it collects and distributes council tax income on behalf of the major preceptors and itself.
- (b) While the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council or paid out of the Collection Fund to major preceptors (and in turn credited to their General Funds). The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.
45. Up to 2008/09 the SORP required the council tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council, or, in the case of major preceptors, the amount that under regulation was paid from the Collection Fund to the major preceptor. From the year commencing 1 April 2009, for both Council and major preceptors, the council tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. Each major preceptor's share of the accrued council tax income

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## Statement of Accounts 2009/10

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would be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

46. For both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.
47. Since the collection of council tax is in substance an agency arrangement, the cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council taxpayers.
48. If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax debtors/creditors in the year the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from council tax debtors/creditors the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.
49. The Cash Flow Statement of the billing authority shall include in 'Revenue activities' cash flows only its own share of council tax net cash collected from council tax debtors in the year; and the amount included for precepts paid shall exclude amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from council tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund shall be included as a net increase/decrease in other liquid resources.
50. The Cash Flow Statement of a major preceptor shall include the net council tax cash received from the Collection Fund in the year (i.e. precept for the year plus share of Collection Fund surplus for the previous year or less the amount paid to the Collection Fund in respect of share of the previous year's Collection Fund deficit). The difference between the net cash received from the Collection Fund and the major preceptor's share of cash collected from council tax debtors by the billing authority in the year shall be included as a net increase/decrease in other liquid resources.

### **Post Balance Sheet Events**

51. Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes to the Balance Sheet if it is of such materiality that disclosure is required for the fair presentation of the Statement of Accounts. The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 June 2010 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

## Statement of Accounts 2009/10

### Prior Year Adjustment

52. In the 2009/10 Statement of Accounts, the Council has adopted a new accounting policy for council tax that impacts on the comparative figures for 2008/09 on the Balance Sheet:

- Only the Council's share of the collection fund value is now shown on the balance sheet. The amount relating to other preceptors is shown as a debtor or creditor.

	Balance Sheet in 2008/09 Statement of Accounts	Relocation of Collection fund Account to Collection fund adjustment account	Relocation of Collection fund Account to Collection fund account Debtor/ Creditor	2008/09 comparatives in Balance Sheet
	£'000	£'000	£'000	£'000
<b>Collection Fund</b>				
Collection Fund	806	(126)	(680)	0
Collection Fund Adjustment Account		126		126
Collection Fund Debtor/Creditor			680	680
<b>Total Balances</b>	<b>806</b>	<b>0</b>	<b>0</b>	<b>806</b>

53. A transfer of £187,000 has been made in the accounts for 2009/10 which relates to a financing adjustment for capital expenditure in 2008/09. Capital reserves were used in 2008/09 due to a delay in receipt from a developer. This has been adjusted for in 2009/10 as the contribution has now been received.

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# Statement of Accounts 2009/10

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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 2009.
2. The Statement of Accounts are published separately from the Annual Report, the latter providing further information about the Council and its services.

### Responsibilities

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

**The Borough Council** is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Director of Finance;
- manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
- approve the Statement of Accounts by 30 June 2010; and
- publish the Statement of Accounts by 30 September 2010.

**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 presents a true and fair view of the financial position of the Council at the accounting date stated and its income and expenditure for the year stated.

4. 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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# Statement of Accounts 2009/10

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## ANNUAL GOVERNANCE STATEMENT

### Scope of responsibility

1. The 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 also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, The Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, "Delivering *Good Governance in Local Government*". This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2009 in relation to the publication of a statement on internal control.

### The purpose of the governance framework

4. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to manage those risks efficiently, effectively and economically, to evaluate the likelihood of them being realised and the impact should they be realised .
6. The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

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## Statement of Accounts 2009/10

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### The governance framework

- A clear statement of the Council's purpose and vision is set out in its Corporate Plan. The Council's priorities for four years are set out in the Corporate Plan 2007-2011, which also documents the Council's role in working with its partners.
- To achieve its Corporate Priorities, the Council sets Key Service Priorities that are revised annually.
- The behaviour of Councillors is regulated through the Code of Conduct supported by a number of protocols.
- The Council's Standards Committee has the duty of maintaining high standards of conduct throughout the Council arranging training on ethical matters. The Standards Committee has procedures in place to receive complaints against Members and to determine how those complaints will be dealt with in line Standards Committee (England) Regulations made under the Local Government Act 2000.
- Employees are subject to a Code of Conduct and a number of specific policies as set out by Human Resources.
- Policy and decision making is facilitated by a framework of delegation set out in the Constitution.
- Risk Management is embedded in the Council through a Strategic Risk Management Policy which includes the requirement to identify corporate and operational risks, assess the risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls.
- The Council maintains and reviews a register of its Significant Business Risks.
- Risk Management awareness is built into the Council's training programme. The Corporate Risk Group also has a role in embedding risk management across the authority.
- The Director of Finance is designated as the responsible officer for administration of the Council's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making, providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information.
- The Scrutiny Committee carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities.
- The Council has in place an approved Whistle blowing Policy for investigating complaints from members of the public.
- The Monitoring Officer has a legal obligation duty to ensure the lawfulness and fairness of decision-making.

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## Statement of Accounts 2009/10

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- The Council has approved a Team Strategy which forms part of the corporate framework for the delivery of people management aims and objectives
- The Council has obtained IIP accreditation.
- The Learning and Development Strategy sets out the Council's training needs for the next three years to ensure staff have necessary skills and competencies. This covers new starters, staff, managers and Members.
- The Council has a performance management framework through which the delivery and quality of service is measured utilising a traffic lights system and through corporate performance indicators. Performance is monitored by Directors and the relevant policy Committees.
- The Council's Communications Strategy 2010-2015 includes consultation with residents and other stakeholders.
- The Council continues to develop a range of partnership arrangements and has reviewed the corporate governance arrangements for priority partnerships.

### Review of effectiveness

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

- In its terms of reference the Scrutiny Committee fulfills the role of an Audit Committee. The terms of reference state that the Committee "monitor implementation of recommendations from external and internal audit".
- The Head of Internal Audit reports to the Director of Finance, but in order to ensure independence has direct access to the Chief Executive, Monitoring Officer and the Scrutiny Committee. The Head of Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is included in the Internal Audit Annual Report to the Scrutiny Committee. For 2009/2010 Internal Audit concluded that they are satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion on the adequacy and effectiveness of Epsom and Ewell Borough Council's arrangements.
- The Annual Risk Management Report was presented to the Strategy & Resources Committee July 2009, in which it was concluded that risk management arrangements are satisfactory.
- Heads of Service have carried out self assessments (Divisional Assurance Statements) of the processes and controls they have in place to allow them to achieve their service objectives.

## Statement of Accounts 2009/10

- Reporting on performance management information has taken place to relevant policy committees and the Scrutiny Committee over the course of the year. Based on the information provided during the year and reviews of data quality, adequate controls are in place.
- The review of the effectiveness of the system of internal control has been informed by:
  - The work of managers within the Council;
  - The work of the Internal Audit ;
  - The work of Corporate Risk Group
  - The work of the Corporate Governance Group;
  - Performance Management Information; and
  - The external auditors in their annual audit letter and other reports.

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

### Significant governance issues

9. The following significant internal controls have been identified:-

No.	Issue	Action
1	The public sector funding position has deteriorated over the past two years with cuts anticipated in government grants and other revenue continuing to be at risk due to a unstable economy	Implementation of service cost reduction and efficiency savings agreed in 2010/2011 budget and a further cost and income review for 2011/2012
2	Staffing reductions due to budget constraints which results in increased risks on service programme delivery.	Improve system of project and risk management. Continue to monitor performance through monthly and quarterly indicators, sickness levels and the staff appraisal system.
3	A need to ensure all significant internal audit recommendations are fully implemented within the agreed timescales in an increasingly busy work environment.	Further improvements to the arrangements for monitoring all "significant" audit recommendations including regular reports to Corporate Board.
4	Additional pressure on Members and staff to manage the Council during a period of reduced funding and service reconfiguration.	Improving training and guidance on the management of complaints and the conduct of Council business.

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## Statement of Accounts 2009/10

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

**Signed:**

Councillor Keith Mann  
Chairman of Strategy and Resources Committee

Frances Rutter  
Chief Executive

Date: 28/09/2010

Date: 28/09/2010

## Statement of Accounts 2009/10

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

2008/09 Final Out-turn		2009/10 Final Out-turn			
Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,541	Central Services		7,537	(5,239)	2,298
9,192	Culture, Environment and Planning		11,497	(5,526)	5,971
(273)	Highways, Roads and Transport Services		3,009	(3,095)	(86)
998	Housing Services		17,814	(16,729)	1,085
1,246	Social Services		1,980	(730)	1,250
2,112	Corporate & Democratic Core		3,036	(1,038)	1,998
485	Non Distributed Costs		723	(77)	646
<b>15,301</b>	<b>Net Cost of Services</b>	1-7	<b>45,596</b>	<b>(32,434)</b>	<b>13,162</b>
(20)	(Profit)/Loss on the disposal of fixed assets				18
(1,332)	Interest and Investment Income	8			(810)
2	Contribution to housing pooled receipts				4
492	Pension interest cost and expected return on pension assets	9			1,289
<b>14,443</b>	<b>Net Operating Expenditure</b>				<b>13,663</b>
(4,794)	Collection Fund Precept				(5,043)
(556)	General Government Grants				(902)
(3,643)	Contribution from Non-Domestic Rate Pool				(3,388)
(98)	Transfer to/(from) Collection Fund				37
<b>5,352</b>	<b>(Surplus)/Deficit for the Year</b>				<b>4,367</b>

## Statement of Accounts 2009/10

### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 £'000		Note	2009/10 £'000
5,352	(Surplus) / Deficit for the year on the Income and Expenditure Account		4,367
(5,410)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	10	(3,965)
<b>(58)</b>	<b>(Increase)/Reduction in General Fund Balance for the Year</b>		<b>402</b>
(3,597)	General Fund Balance brought forward		(3,655)
<b>(3,655)</b>	<b>General Fund Balance carried forward</b>		<b>(3,253)</b>
(3,655)	Amount of General Fund Balance available		(3,253)
<b>(3,655)</b>			<b>(3,253)</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 out-turn on the Income and Expenditure Account and the General Fund Balance.

## Statement of Accounts 2009/10

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2010

Re-stated 2008/09 £'000		Note	2009/10 £'000
(5,352)	Surplus / (Deficit) for the year on the Income & Expenditure Account		(4,367)
2,381	Surplus arising on revaluation of fixed assets		1,924
(8,724)	Actuarial gains and (losses) on pension assets and liabilities	9	(6,407)
<b>(11,695)</b>	<b>TOTAL RECOGNISED GAINS / (LOSSES) FOR THE YEAR</b>		<b>(8,850)</b>

The Statement of Recognised Gains and Losses (STRGL) brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

## Statement of Accounts 2009/10

### BALANCE SHEET AS AT 31 MARCH 2010

Re-stated 31 March 2009		Note	31 March 2010	
			£'000	£'000
	<b>NET FIXED ASSETS</b>			
339	<b>INTANGIBLE ASSETS</b>	19	230	
	<b>Operational assets</b>			
46,464	Land and Buildings	18	45,585	
3,275	Community Assets	18	3,588	
2,276	Vehicles, Plant and Equipment	18	2,758	
41	Infrastructure Assets	18	41	
	<b>Non-operational assets</b>	18		
16,741	Investment Properties	18	16,357	
450	Surplus Assets for Resale	18	0	
0	Assets Under Construction	18	0	
<b>69,586</b>	<b>TOTAL NET FIXED ASSETS</b>			<b>68,559</b>
68	<b>LONG TERM DEBTORS</b>	20		40
<b>69,654</b>	<b>TOTAL LONG TERM ASSETS</b>			<b>68,599</b>
	<b>CURRENT ASSETS</b>			
9	Stocks and Work in Progress	22	11	
3,907	Debtors	21	6,170	
20,325	Investments	23	16,441	
781	Cash	34	1	
25,022				22,623
	<b>LESS: CURRENT LIABILITIES</b>			
6,584	Creditors	24	4,833	
0	Bank Overdraft	34	24	
1,354	Capital Contributions Unapplied		2,005	
7,938				6,862
<b>86,738</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>84,360</b>
	<b>LESS: LONG TERM LIABILITIES</b>			
17,918	Pension Liability	9		24,206
22	Deferred Capital Receipts	25		15
139	Government Grants Deferred	26		240
1,068	Capital Contributions Deferred	27		1,038
0	Deferred Liabilities	18		120
<b>67,591</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>58,741</b>

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## Statement of Accounts 2009/10

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Re-stated 31 March 2009			31 March 2010	
			£'000	£'000
<b>£'000</b>	<b>BALANCES AND RESERVES</b>	<b>Note</b>		
7,326	Usable Capital Receipts Reserve	15		6,188
7,671	Revaluation Reserve	16		9,382
60,872	Capital Adjustments Account	17		57,941
3,655	General Fund Reserve	14		3,253
0	Collection Fund	37		0
126	Collection Fund Adjustment Account	37		(7)
5,859	Strategic Reserves	14		6,190
(17,918)	Pension Reserve	9		(24,206)
<b>67,591</b>	<b>TOTAL BALANCES AND RESERVES</b>			<b>58,741</b>

## Statement of Accounts 2009/10

### CASH FLOW STATEMENT

	Re-stated 2008/09		2009/10	
	£'000	£'000	£'000	£'000
<b>Net Cash Flow From Revenue Activities (note 33)</b>		<b>3,253</b>		<b>(3,188)</b>
<b>Return on investment and servicing Finance</b>				
Interest Received	421		249	
<b>Net cash inflow from return on investments and servicing finance</b>		<b>421</b>		<b>249</b>
<b>Cash Flow from capital and investing activities</b>				
Intangible fixed assets addition / purchase	(79)		(62)	
Tangible fixed assets addition / purchase	(1,424)		(1,432)	
Proceeds from sale of tangible fixed assets	20		8	
Other capital payments: deferred debtors advances/ premium on early redemption of debt/Creditors	(260)		36	
Capital receipts	850		651	
Capital grant income due for the year	240		280	
Purchase / addition of short term investments	(2,795)		3,884	
Other adjustments to capital and investing activities	78			
<b>Net cash outflow / (inflow) from capital and investing activities</b>		<b>(3,370)</b>		<b>3,365</b>
<b>Management of Liquid Resources</b>		<b>0</b>		<b>(1,230)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>304</b>		<b>(804)</b>

# Statement of Accounts 2009/10

## NOTES TO THE CORE STATEMENT OF ACCOUNTS

### 1. Net Cost of Services

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

### 2. Finance and Operating Leases

The Council has no finance leases but uses vehicles for waste and other transport services financed under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £737,000 (compared to £709,900 in 2008/09). These costs are included in the appropriate frontline service within the net cost of services. The Council is committed to expenditure under this arrangement of £1,054,000 for 2010/11.

Council as Lessor - In 2009/10 the Council received £1,011,000 in rental income from its investment properties (compared to £1,016,400 in 2008/09), all of which was generated from operating leases.

With regard to the Council's activity as a lessor, the gross value of land and buildings assets held for use in operating leases was £17,952,000 and was subject to £17,965 depreciation to 31 March 2010.

	£'000
Leases Expiring in 2009/10	£737
Leases Expiring between 2010/11- 2015/16	£4,322
Lease Expiring after 2015/16	£426

### 3. Executive Remuneration

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

No. of Staff 2008/09	Remuneration Range	No. of Staff 2009/10
3	£50,000 - £54,999	2
4	£55,000 - £59,999	4
4	£60,000 - £64,999	5
0	£65,000 - £69,999	2
0	£70,000 - £74,999	1
0	£75,000 - £79,999	0
1	£80,000 - £84,999	0
2	£85,000 - £89,999	0
0	£90,000 - £94,999	2
0	£95,000 - £99,999	1
1	£100,000 - £104,999	0
0	£105,000 - £109,999	1
<b>15</b>	<b>Total</b>	<b>18</b>

Further explanation of information is included overleaf.

## Statement of Accounts 2009/10

Detailed remuneration information for senior employees (who are also included in Note 6) is set out below. The table on this page shows information for 2009/10 and the table on the following page shows the equivalent information for 2008/9.

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

### Notes

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

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

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

## Statement of Accounts 2009/10

### Detailed Remuneration Information for the Previous Financial Year

2008/09	Chief Executive		Director of Operations	Director of Finance	Director of Human Resources	Head of Legal Services
	Permanent post holder	Seconded officer				
<i>all figs. £'000</i>						
Salary	105	27	82	80	74	65
Bonuses	2	0	0	0	0	0
Expenses Allowances	4	0	3	3	3	0
Compensation for loss of office	0	0	0	0	0	0
Other Benefits	8	0	0	7	7	3
<b>Total remuneration excluding Pension contributions</b>	<b>119</b>	<b>27</b>	<b>85</b>	<b>90</b>	<b>84</b>	<b>68</b>
Pension Contributions	16	4	13	12	11	9
<b>Total remuneration including pension contributions 2008/09</b>	<b>135</b>	<b>31</b>	<b>98</b>	<b>102</b>	<b>95</b>	<b>77</b>

Note: The Chief Executive post was filled by secondment from 1st December 2008 due to the absence through ill health of the permanent post holder.

## Statement of Accounts 2009/10

### 4. Members' Allowances

The total amount of members' allowances paid in 2009/10 was £159,000 (Same amount £159,000 got paid in 2008/09).

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

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

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## Statement of Accounts 2009/10

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

### 5. 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 2009/10 the Council made grant payments of £109,000 to four voluntary organisations in which a total of six members had an interest. The grants were made with proper consideration of declarations of interest. Details of member and officer interests and declarations of interest are all recorded by the Council and open to public inspection.

<b>Organisation</b>	<b>Payments made 2009/10 £'000</b>	<b>Councillor</b>
Age Concern	20	Nigel Pavey Jean Steer
Citizen Advisory Bureau	96	Eber Kington Nigel Petrie Ruby Smith
Community Volunteer Service	36	Ruby Smith
Epsom and Ewell Access Group	2	David Buxton
<b>Total Grants</b>	<b>154</b>	

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## Statement of Accounts 2009/10

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Organisation	Payments made 2009/10 £'000	Councillor
Epsom & Walton Down Conservators	193	Teresa Cass Chris Long Jan Mason Jean Steer Jean Smith Mike Richardson
Nonsuch Joint Management Committee	126	Nigel Pavey Ruby Smith David Wood

The Council has entered into transactions of £27,000 with Rosebery Housing Association in which one member (Sheila Carlson) declared an interest.

### 6. Insurance Provisions

Epsom and Ewell Borough Council has incurred the following costs in 2009/10:

- £118,000 costs for settling claims
- £246,000 premiums payable to external insurers.
- £23,000 other net costs

The authority received £55,000 in settlements from the insurance companies in relation to these events.

Services have thus been debited with £331,000 as part of their total cost (£118k + £246k + £23k – £55k).

No amount has been appropriated to the Statement of Movement on the General Fund Balance from the earmarked insurance reserve. This means that a net total of £331,000 has been debited against revenue balances for the year, the sum that has been recovered from service budgets in internal premiums during the year.

## Statement of Accounts 2009/10

### 7. Audit Costs

In 2009/10 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2008/09 £'000		2009/10 £'000
101	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	97
4	Fees payable to the Audit Commission in respect of statutory inspection	9
19	Fees payable to the Audit Commission for the certification of grant claims and returns	27
0	Fees payable in respect of other services provided by the appointed auditor	1
<b>124</b>	<b>Balance to Income and Expenditure Account</b>	<b>134</b>

### 8. Investment Income

Interest and investment income for the year amounted to £810,000, with the average rate of return achieved of 3.44% (compared to 5.47% in 2008/09). An analysis of this income and how it was distributed is shown below.

2008/09 £'000		2009/10 £'000
0	Long Term Gilts	0
351	Other Investments (internally managed)	45
981	Other Investments (externally managed)	765
<b>1,332</b>	<b>Total Interest and Investment Income</b>	<b>810</b>
820	Income credited to General Fund	810
479	Income credited to revenue reserves	150
33	Income credited to other accounts	23
0	Contribution from Interest equalisation reserve	(173)

# Statement of Accounts 2009/10

## 9. Pension Costs

### Participation in Pension Schemes

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

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

### Transactions Relating to Retirement Benefits

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

2008/09 £'000		2009/10 £'000
	<b>Income and Expenditure Account</b>	
	<i>Net Cost of Services:</i>	
791	Current service cost	759
361	Past service cost	0
0	Curtailement and settlements	0
	<i>Net Operating Expenditure:</i>	
3,376	Interest cost	3,267
(2,887)	Expected return on assets in the scheme	(1,978)
<b>1,641</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>2,048</b>
	<b>Statement of Movement in the General Fund Balance</b>	
(1,641)	Reversal of net charges made for retirement benefits in accordance with FRS17	(2,048)
	<i>Actual amount charged against council tax for pensions in the year:</i>	
1,554	Employers' contributions payable to scheme	1,560

### Assets and Liabilities in Relation to Retirement Benefits

The liabilities shown below are the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £24.2m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £59m. The pension liability is 41% of the balance sheet net value in 2009/10 compared to 27% in 2008/09.

## Statement of Accounts 2009/10

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

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £6.407million (actuarial losses of £8.724 million in 2008-09) were included in the Statement of Total Recognised Gains and Losses (STRGL)

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2010 are as follows:

### Reconciliation of Present Value of Scheme Assets and Liabilities

2008/09 £'000		2009/10 £'000
<b>(49,997)</b>	<b>1<sup>st</sup> April</b>	<b>(48,070)</b>
(791)	Current service cost	(759)
(3,376)	Interest cost	(3,267)
(402)	Contribution by members	(468)
3,836	Actuarial losses / (gains)	(17,321)
(361)	Past service costs/ (gains)	0
0	Adjustment made to past liability	0
0	Losses/ (gains) on curtailments	0
123	Estimated unfunded benefits paid	119
2,303	Estimated benefits paid	2,560
<b>(48,665)</b>	<b>Estimates Liabilities in scheme 31 March</b>	<b>(67,206)</b>
<b>40,893</b>	<b>1<sup>st</sup> April</b>	<b>30,747</b>
2,887	Expected rate of return	1,978
402	Contributions by members	468
1,427	Contributions by employer	1,453
123	Contributions in respect unfunded benefits	119
(12,559)	Actuarial gains/ losses	10,914
(123)	Unfunded Benefits paid	(119)
(2,303)	Benefits paid	(2,560)
<b>30,747</b>	<b>Estimates assets in scheme 31 March</b>	<b>43,000</b>
<b>(17,918)</b>	<b>Net asset / (liability) 31 March</b>	<b>(24,206)</b>

An adjustment of £549,000 made in 2009/10 accounts to reflect the Actuary report figures. This was due to timing differences between the information included in the actuary's report and those included in the final accounts.

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

### Actual return on scheme assets as per actuaries:

2008/09 £'000		2009/10 £'000
(9,554)	<b>Actual return as per actuaries</b>	12,892

## Statement of Accounts 2009/10

### 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 2007.

The main assumptions used in their calculations have been:

2008/09		2009/10
	Long-term expected rate of return on assets in the scheme:	
7.00%	Equity investments	7.80%
4.90%	Property	5.80%
5.40%	Bonds	5.00%
4.00%	Cash	4.80%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.5 years	Men	22.7 years
24.4 years	Women	26.1 years
	Longevity at 65 for future pensioners:	
22.6 years	Men	24.8 years
25.5 years	Women	28.3 years
3.10%	Rate of inflation	3.80%
4.60%	Rate of increase in salaries	5.30%
3.10%	Rate of increase in pensions	3.80%
6.90%	Rate for discounting scheme liabilities	5.50%
25.00%	Take-up of option to convert annual pension into retirement lump sum	25.00%

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

Percentage of funds assets		Percentage of funds assets
73%	Equity Investments	75%
18%	Bonds	17%
6%	Property	6%
3%	Cash	2%
100%		100%

## Statement of Accounts 2009/10

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

The actuarial gains and losses identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Difference between the expected and actual return on assets	13.9	0	0.53	(2.3)	25.4
Experience gains and losses on liabilities	(0.2)	0.4	(0.5)	0	0

### Movement in net pension liability:

Re-stated 2008/09 £'000		2009/10 £'000
(9,104)	Opening Balance	(17,323)
(791)	Current Service Costs	(759)
(361)	Past Service Costs	0
595	Adjustment made to past Liability	0
0	Curtailments	0
(3,379)	Interest Costs	(3,267)
2,887	Return on Assets	1,978
1,554	Employer Contributions	1,572
(8,724)	Actuarial Gains / (Losses)	(6,407)
<b>(17,323)</b>	<b>Closing Balance</b>	<b>(24,206)</b>

## Statement of Accounts 2009/10

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

2008/09 £'000		Note	2009/10 £'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>		
(282)	Amortisation of intangible fixed assets	19	(171)
(6,078)	Depreciation and impairment of fixed assets		(4,363)
355	Government Grants Deferred Amortisation		424
	Collection Fund Adjustment	37	(133)
(125)	Write downs of Revenue expenditure funded from capital under statute to be financed from capital resources	12	(196)
20	Net profit on sale of fixed assets		(18)
(90)	Net charges made for retirement benefits in accordance with FRS17		119
<b>(6,200)</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>		<b>(4,338)</b>
0	Minimum revenue provision for capital financing		0
164	Capital expenditure charged in-year to the General Fund Balance	17	46
(2)	Appropriations from usable capital receipts for pooled housing receipts		(4)
<b>162</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>		<b>42</b>
628	Net transfers to or from earmarked reserves	11	331
<b>628</b>			<b>331</b>
<b>(5,410)</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>		<b>(3,965)</b>

### 11. Contributions To / From Strategic Revenue Reserves

A net contribution of £331,000 was made from Strategic Revenue Reserves to the General Fund in 2009/10 (compared to a net contribution of £628,000 to the General Fund in 2008/09).

### 12. Revenue Expenditure funded from Capital under Statute

A net contribution of £46,000 was set aside from revenue to finance capital expenditure in 2009/10 compared to a £164,000 contribution in 2008/09.

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

## Statement of Accounts 2009/10

Revenue Expenditure funded from Capital under Statute in summary for 2009/10:

2008/09 £'000		2009/10 £'000
685 (560)	Revenue Expenditure funded from Capital under Statute Written Off Less Government Grant Funding	494 (298)
<b>125</b> 282	Add Intangible Charges Written Off	<b>196</b> 171
<b>407</b>	<b>Transfer from Capital Adjustment Account</b>	<b>367</b>

A summary of Revenue Expenditure funded from Capital under Statute for 2009/10 is shown below.

Expenditure less Amounts w/off 2008/09		Balance brought forward 1 April 2009	Expenditure 2009/10	Amounts written off 2009/10	Balance carried forward 31 March 2010
£'000		£'000	£'000	£'000	£'000
0	Improvement Grants	0	298	(298)	0
0	Other	0	196	(196)	0
<b>0</b>	<b>TOTAL</b>	<b>0</b>	<b>494</b>	<b>(494)</b>	<b>0</b>

## Statement of Accounts 2009/10

### 13. 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.

	<b>Re-stated Balance 01-Apr-09</b>	<b>Net Movement in Year</b>	<b>Balance 31-Mar-10</b>		
<b>Reserve</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Purpose of Reserve</b>	<b>Further Detail of Movements</b>
Revaluation Reserve	7,671	1,711	9,382	Store of gains on revaluation of fixed assets not yet realised through sales	Note 16 to the Core Statement of Accounts
Capital Adjustments Account	60,872	(2,931)	57,941	Store of capital resources set aside to meet past expenditure	Note 17 to the Core Statement of Accounts
Usable Capital Receipts	7,326	(1,138)	6,188	Proceeds of fixed asset sales available to meet future capital investment	Note 15 to the Core Statement of Accounts
Pensions Reserve	(17,918)	(6,288)	(24,206)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 9 to the Core Statement of Accounts
General Fund	3,655	(402)	3,253	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance
Strategic Reserves	5,859	331	6,190	Earmarked resources to provide funding for specific areas	Note 14 to the Core Statement of Accounts
Collection Fund Adjustment Account	126	(133)	(7)	Balance held on council tax and NNDR	Collection Fund Income & Expenditure Account page 67-68
	<b>67,591</b>	<b>(8,850)</b>	<b>58,741</b>		

## Statement of Accounts 2009/10

### 14. Movements in Revenue Reserves

	General Fund Balances	Collection Fund Adjustment Account	Earmarked Revenue Reserves	Pensions Reserve
	£'000	£'000	£'000	£'000
Surplus / (deficit) for 2009/10	(402)	(133)	0	0
Appropriations to / from revenue	0	0	331	119
Actuarial gains and losses relating to pensions	0	0	0	(6,407)
	<b>(402)</b>	<b>(133)</b>	<b>331</b>	<b>(6,288)</b>
<b>Balance brought forward at 1 April 2009</b>	<b>3,655</b>	<b>126</b>	<b>5,859</b>	<b>(17,918)</b>
<b>Balance carried forward at 31 March 2010</b>	<b>3,253</b>	<b>(7)</b>	<b>6,190</b>	<b>(24,206)</b>

	Re-stated Balance at 1 April 2009 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance at 31 March 2010 £'000
<b>Current Balances</b>					
General Fund	3,655			(402)	3,253
Collection Fund Adjustment Account	126			(133)	(7)
<b>Total Current Balances</b>	<b>3,781</b>	<b>0</b>	<b>0</b>	<b>(535)</b>	<b>3,246</b>
<b>Strategic Reserves</b>					
Insurance	574	19	0	0	593
Repairs and Renewals	725	75	(88)	0	712
Interest Equalisation	842	294	(173)	0	963
VAT Reserve	148	0	0	0	148
Planning Delivery Grant Reserve	475	25	0	0	500
Property Maintenance	213	31	0	0	244
Commuted Sums	1,965	68	(68)	0	1,965
Hospital Cluster Interest	205	8	0	0	213
Corporate Project Reserve	575	124	0	0	699
Community Safety	86	10	0	0	96
Historic Buildings	25	1	0	0	26
Local Partnership Fund	6	0	(3)	0	3
Young People Partnership Fund	17	8	0	0	25
Yell Funds	3	0	0	0	3
<b>Total Strategic Reserves</b>	<b>5,859</b>	<b>663</b>	<b>(332)</b>	<b>0</b>	<b>6,190</b>
<b>Total Revenue Reserves</b>	<b>9,640</b>	<b>663</b>	<b>(332)</b>	<b>(535)</b>	<b>9,436</b>

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## Statement of Accounts 2009/10

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### 15. Usable Capital Receipts Reserve

	Usable Capital Receipts £'000
<b>Balance brought forward at 1 April 2009</b>	<b>7,326</b>
Amounts receivable in 2009/10	8
Amounts receivable for pooled housing receipts	7
Amounts due Government Pool housing receipts	(4)
Prior year funding adjustment	187
Amounts applied to finance new capital investment	(1,336)
<b>Total Increase (decrease) in realised capital resources</b>	<b>(1,138)</b>
<b>Balance carried forward at 31 March 2010</b>	<b>6,188</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.

### 16. Revaluation Reserve

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

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

## Statement of Accounts 2009/10

**Impairment:** Every fixed asset is reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by one of the following:

Where the decrease in value is attributable to the clear consumption of economic benefits the loss is charged to the relevant service revenue account

Where the decrease is not attributable to the clear consumption of economic benefits the value is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, the amount up to the value of the loss, is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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

	<b>Revaluation Reserve £'000</b>
<b>Balance brought forward at 1 April 2009</b>	<b>7,671</b>
Adjustment to Balance brought forward	(22)
<b><u>Movements in unrealised value of fixed assets</u></b>	
Gains (losses) on revaluation of fixed assets in 2009/10	1,924
Impairment losses on fixed assets due to general change in prices 2009/10	0
Difference between Depreciation on Current Value and Depreciation on Historic Cost	(191)
<b>Total Increase (Decrease) in Unrealised Capital Resources 2009/10</b>	<b>1,711</b>
<b><u>Value of Assets Sold Disposed off or Decommissioned</u></b>	
Amounts written off fixed asset balances for disposals in 2009/10	0
<b>Total Movement on Account in 2009/10</b>	<b>1,711</b>
<b>Balance Carried Forward at 31 March 2010</b>	<b>9,382</b>

## Statement of Accounts 2009/10

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

The capital adjustment account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans (Provision for Credit Liabilities) and the amount of capital expenditure financed from revenue, capital grants, contributions and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid or applied to finance capital expenditure. As at 31 March 2010 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:

	<b>Capital Adjustment Account £'000</b>
<b>Balance brought forward at 1 April 2009</b>	<b>60,872</b>
Adjustment to Balance brought forward	22
<b><u>Capital receipts set aside in 2009/10</u></b>	
- reserved receipts	0
- usable receipts applied	1,336
- reserved receipts applied	0
<b>Total Capital Receipts Set Aside in 2009/10</b>	<b>1,336</b>
<b><u>Revenue resources set aside in 2009/10</u></b>	
- capital expenditure financed from revenue	46
- Revenue expenditure funded from capital under statute	(196)
- Income and Expenditure Account appropriations re, depreciation and impairment	(4,567)
Difference between Depreciation on Current Value and Depreciation on Historic Cost	191
<b>Total Revenue Resources Set Aside in 2009/10</b>	<b>(4,526)</b>
<b><u>Movement on Capital Contributions Deferred</u></b>	
- Capital grants and contributions passed through the Income and Expenditure Account	237
- amounts credited to general fund	0
<b>Total Movement on Capital Contributions Deferred</b>	<b>237</b>
<b>Movement on Reserve 2009/10</b>	<b>(2,953)</b>
<b>Balance Carried Forward at 31 March 2010</b>	<b>57,941</b>

# Statement of Accounts 2009/10

## 18. 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, apart from investment properties which are valued annually. Valuations carried out in 2009/10 included the Longmead & Nonsuch Trading Estates, Town Hall, Ebbisham Centre, Bourne Hall, Ewell Court House and for the first time Nonsuch Mansion and Park. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors. Those properties revalued in 2009/10 account for £30,029 million of the net book value of assets at 31 March 2010.

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of material improvements. There was economic impairment on twenty assets in 2009/10.

Properties are valued on the basis set out in the Statement of Accounting Policies on pages 9 to 19.

### Depreciation

Assets are depreciated in accordance with the requirements of Financial Reporting Standard 15 as set out in Statement of Accounting Policies on pages 9 to 19.

### Capital Expenditure

Capital expenditure of £1.988 million was incurred in 2009/10 as follows:

2008/09 £'000		2009/10 £'000
1,425	Fixed Assets	1,432
79	Intangibles	62
685	Revenue Expenditure funded from Capital under Statute	494
<b>2,189</b>	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,988</b>

Funding of capital expenditure in 2009/10 is detailed below.

2008/09 £'000		2009/10 £'000
1,326	Capital Reserves	1,336
386	Government Grants	548
162	Revenue	46
164	Grants from other Local Authorities	0
124	Big Lottery Funding	0
27	Section 106 Receipts	58
<b>2,189</b>	<b>TOTAL CAPITAL FUNDING</b>	<b>1,988</b>

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## Statement of Accounts 2009/10

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### Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2010 amounts to £70,273 as listed below.

<b>2008/09 £'000</b>		<b>2009/10 £'000</b>
36	Pay & Display Machines	0
30	Car Park Signage	0
152	Waste Strategy	0
172	Court Recreation Ground Pavilion	0
80	Telephone Switch Replacement	0
0	Court Recreation Ground Play Facility	5
0	Waste Containers	11
0	Electronic Service Delivery	44
0	Longmead Depot Adaptations	10
<b>470</b>	<b>TOTAL CAPITAL COMMITMENTS</b>	<b>70</b>

### Disposals

The Council disposed of one recycling vehicle in 2009/10 for £8,500.

# Statement of Accounts 2009/10

## Movements on Fixed Assets

TANGIBLE FIXED ASSETS	Operational Assets				Non-Operational Assets		
	Other Land and Buildings	Community Assets	Vehicle Plant and Equipment	Infrastructure Assets	Investment Properties	Surplus Assets	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated Gross Book Carrying Value as at 1st April 2009</b>	<b>52,891</b>	<b>3,275</b>	<b>2,791</b>	<b>41</b>	<b>17,698</b>	<b>450</b>	<b>77,146</b>
Additions	247	316	869	0	0	0	1,432
Donations	0	0	0	0	0	0	0
Disposals	0	0	(84)	0	(19)	0	(103)
Reclassification of assets	0	(4)	0	0	454	(450)	0
Revaluations	720	1	0	0	1,203	0	1,924
Other movements	0	0	0	0	0	0	0
<b>Gross Book Carrying Value at 31 March 2010</b>	<b>53,858</b>	<b>3,588</b>	<b>3,576</b>	<b>41</b>	<b>19,336</b>	<b>0</b>	<b>80,399</b>
<b>Restated Cumulative Impairment &amp; Depreciation as at 1st April 2009</b>	<b>(6,424)</b>	<b>0</b>	<b>(515)</b>	<b>0</b>	<b>(957)</b>	<b>0</b>	<b>(7,896)</b>
Depreciation for the year	(1,185)	0	(354)	0	0	0	(1,539)
Impairment for the year	(664)	0	(19)	0	(2,022)	0	(2,705)
Disposals	0	0	70	0	0	0	70
Reclassification of assets	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
<b>Cumulative Impairment &amp; Depreciation as at 31st April 2010</b>	<b>(8,273)</b>	<b>0</b>	<b>(818)</b>	<b>0</b>	<b>(2,979)</b>	<b>0</b>	<b>(12,070)</b>
<b>TOTAL NET CARRYING BOOK VALUE at 31 March 2010</b>	<b>45,585</b>	<b>3,588</b>	<b>2,758</b>	<b>41</b>	<b>16,357</b>	<b>0</b>	<b>68,329</b>
<b>TOTAL NET CARRYING BOOK VALUE at 1st April 2009</b>	<b>46,464</b>	<b>3,275</b>	<b>2,276</b>	<b>41</b>	<b>16,741</b>	<b>450</b>	<b>69,247</b>

Owned	45,585	3,588	2,758	41	16,357	0	68,329
Leased	0	0	0	0	0	0	0
PFI	0	0	0	0	0	0	0
<b>TOTALS</b>	<b>45,585</b>	<b>3,588</b>	<b>2,758</b>	<b>41</b>	<b>16,357</b>	<b>0</b>	<b>68,329</b>

## Statement of Accounts 2009/10

TANGIBLE FIXED ASSET VALUATION	Other Land and Buildings	Community Assets	Vehicle Plant and Equipment	Infrastructure Assets	Investment Properties	Surplus Assets	Totals
Analysis of Revaluations of Fixed Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	50	3,416	0	41	0	0	<b>3,507</b>
Valued at current value in:	0	0	0	0	0	0	<b>0</b>
2003/2004:	0	0	624	0		0	<b>624</b>
2004/2005:	0	0	0	0		0	<b>0</b>
2005/2006:	0	0	0	0		0	<b>0</b>
2006/2007:	701	0	0	0		0	<b>701</b>
2007/2008:	19,194	0	0	0		0	<b>19,194</b>
2008/2009:	12,147	0	199	0		0	<b>12,346</b>
2009/2010:	13,493	172	1,935	0	16,357	0	<b>31,957</b>
<b>Value at 31 March 2010</b>	<b>45,585</b>	<b>3,588</b>	<b>2,758</b>	<b>41</b>	<b>16,357</b>	<b>0</b>	<b>68,329</b>

Details of the Council's main property assets at 31 March 2010 are summarised below:

2008/09		2009/10
4	Community and Day Centres	4
1	Leisure Centres	1
1	Cemeteries	1
3	Public Conveniences	3
1	Depots	1
1	Theatres	1
2	Public Halls	2
1	Administrative Buildings	1
41	Non-Operational Properties	43
3	Staff Housing	3
2,391	Open Space (acres)	2,641
11	Car Parks	11
1	Ebbisham Centre	1

### Deferred Liability

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

## Statement of Accounts 2009/10

### 19. Intangible Assets

	Purchased software assets	Licences / trademarks and artistic originals	Patents	Total
	£'000	£'000	£'000	£'000
Original Cost	992	0	0	992
Amortised to 1 April 2009	(653)	0	0	(653)
<b>Balance at 1 April 2009</b>	<b>339</b>	<b>0</b>	<b>0</b>	<b>339</b>
Expenditure in Year	62	0	0	62
Written off to revenue in year	(171)	0	0	(171)
<b>Balance at 31 March 2010</b>	<b>230</b>	<b>0</b>	<b>0</b>	<b>230</b>

Software assets that do not have physical substance but are identifiable and controlled by the Council are held for the various electronic service delivery systems. The cost of these are being written off over the economic life of the asset to reflect the pattern of consumption of benefits.

### 20. Long Term Debtors

Long term debtors due at 31 March 2010 relate to the balance of mortgages due on ex-council home sales and the balance of staff car loans, not due within the next financial year.

2008/09 £'000		2009/10 £'000
20	Mortgages	14
48	Staff car loans	26
<b>68</b>	<b>Total</b>	<b>40</b>

### 21. Debtors

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

Re-stated 2008/09 £'000		2009/10 £'000
1,635	Government Departments	3,919
0	Other Local Authorities	193
123	Council Tax Payers	148
0	Non Domestic Ratepayers	0
2,383	Other Debtors	2,152
<b>4,141</b>	<b>Total Debtors</b>	<b>6,412</b>
(234)	Less Provision for Bad Debts	(242)
<b>3,907</b>	<b>Total</b>	<b>6,170</b>

## Statement of Accounts 2009/10

The provision for bad debts has increased to £242,000 as at 31 March 2010 of which 25% relates to Council Tax and 24% relates to Housing benefit overpayments, as detailed below.

2008/09 £'000		2009/10 £'000
105	General	103
50	Council Tax Payers	60
0	Non Domestic Ratepayers	0
22	Housing Rents	22
57	Housing Benefit Overpayments	57
<b>234</b>	<b>Total Bad Debt Provision</b>	<b>242</b>

### 22. Stocks and Work in Progress

A summary of the stocks held at 31 March 2010 is detailed below. The Council had no works in progress in 2008/09 or 2009/10.

2008/09 £'000		2009/10 £'000
9	Other	11
<b>9</b>	<b>Total</b>	<b>11</b>

### 23. Investments

The Council uses external fund managers to manage the majority of its cash backed reserves. Other surplus cash is invested in temporary investments with major clearing banks and building societies.

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

A summary of investments at 31 March 2010 and comparison with 31 March 2009 is shown below.

2008/09			2009/10	
Cost £'000	Market Valuation £'000		Cost £'000	Market Valuation £'000
		<b><u>Long Term Investments</u></b>		
0	0	Internally managed	0	0
0	0	Externally managed	0	0
<b>0</b>	<b>0</b>	<b>Sub Total</b>	<b>0</b>	<b>0</b>
		<b><u>Current Asset Investments</u></b>		
2,000	2,000	Internally managed	850	850
18,325	18,325	Externally managed	15,591	15,591
<b>20,325</b>	<b>20,325</b>	<b>Sub Total</b>	<b>16,441</b>	<b>16,441</b>
<b>20,325</b>	<b>20,325</b>	<b>Total Investments</b>	<b>16,441</b>	<b>16,441</b>

## Statement of Accounts 2009/10

### 24. Creditors

A summary of creditors is detailed below.

2008/09 £'000		2009/10 £'000
265	Government Departments	317
957	Other Local Authorities	3
93	Council Tax and Community Charge Payers	78
0	Non Domestic Ratepayers	0
5,269	Other Creditors	4,435
<b>6,584</b>	<b>Total</b>	<b>4,833</b>

### 25. 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 homes, which form the main part of mortgages under Long Term Debtors (see note 20).

### 26. Government Grants Deferred

2008/09 £'000		2009/10 £'000
299	Balance Brought Forward	139
0	Grants applied to capital investment	200
(160)	Amortised grants credited to General Fund	(99)
<b>139</b>	<b>Balance Carried Forward</b>	<b>240</b>

### 27. Capital Contributions Deferred

2008/09 £'000		2009/10 £'000
1,122	Balance Brought Forward	1,068
141	Contributions applied to capital investment	108
(195)	Amortised contributions credited to General Fund	(138)
<b>1,068</b>	<b>Balance Carried Forward</b>	<b>1,038</b>

### 28. Analysis of Net Assets Employed

In 2009/10 the net assets of Epsom and Ewell Borough Council were employed as follows:

Re-stated 2008/09 £'000		2009/10 £'000
67,591	General Fund	58,741
0	Trading Operations	0
<b>67,591</b>	<b>Total</b>	<b>58,741</b>

## Statement of Accounts 2009/10

### 29. Financial Instruments Balances

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

Re-stated 2008/09			2009/10	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
0	9,045	Financial liabilities at amortised cost	0	7,779
0	0	Financial liabilities at fair value through profit and loss	0	-
0	<b>9,045</b>	<b>Total Borrowings</b>	0	<b>7,779</b>
0	26,120	Loans and receivables	0	23,529
0	0	Available-for-sale financial assets	0	-
0	0	Unquoted equity investments at cost	0	-
0	<b>26,120</b>	<b>Total Investments</b>	0	<b>23,529</b>

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

### 30. Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets		Total £'000
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available- for-sale assets £'000	
Interest expenses	0	0	0	0
Loss on de-recognition	0	0	0	0
Impairment losses	0	0	0	0
<b>Interest payable and similar charges</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest income	0	810	0	810
Gains on de-recognition	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>810</b>	<b>0</b>	<b>810</b>
Gains on revaluation	0	0	0	0
Losses on revaluation	0	0	0	0
Amounts recycled to the I&E Account after impairment	0	0	0	0
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>0</b>	<b>810</b>	<b>0</b>	<b>810</b>

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## Statement of Accounts 2009/10

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

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

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

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

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

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

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

<b>Financial asset category</b>	<b>Criteria</b>	<b>Maximum investment</b>
Deposits with banks	Short Term: Minimum credit rating is A- Long Term: Minimum credit rating is AAA Active in sterling markets	£2.5m
Deposits with building societies	Minimum criteria: Building Societies assets must be more than £500m <u>Current Investments</u> Norwich and Peterborough rated A-	£2.5m
Deposits with money market funds	<u>Current Investments</u> RBS: rated AAA Standard Life: rated AAA	£2.5m

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

## Statement of Accounts 2009/10

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

	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 10	Estimated maximum exposure to default	Estimated maximum exposure at 31 March 09
	£000s	%	%	£000s	£000s
	A	B	C	(A x C)	
Deposits with SWIP	15,591	0	0	0	0
SIBA	850	0	0	0	0
Customers	1,022	10.50%	12.35%	126	737

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

The Council does not generally allow credit for customers, such that £128,000 of the £1m balance is overdue for payment. The overdue amount can be analysed by age as follows:

Re-stated 31 March 09		31 March 10
£000s		£000s
27	Less than three months	19
43	Three to Five months	17
104	More than Five Months	92
<b>174</b>	<b>Total</b>	<b>128</b>

### Liquidity Risk

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

### Market Risk

#### Interest rate risk

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

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

However, interest receivable on variable rate investments will be posted to the Income and Expenditure Account and any changes in interest rates will have an impact on the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL (p28)

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## Statement of Accounts 2009/10

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

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£'000s</b>
Increase in interest receivable on variable rate investments	(230)
<b>Impact on Income and Expenditure Account</b>	<b>(230)</b>
Decrease in fair value of fixed rate investment assets	5
<b>Impact on Statement of Recognised Gains and Losses</b>	<b>0</b>

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

### **Foreign exchange risk**

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

## Statement of Accounts 2009/10

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

	31 March 2009 £'000	31 March 2010 £'000	Movement £'000
Current Asset Investments	20,325	16,441	(3,884)
Long Term Borrowing	0	0	0
<b>Net Cash Flow</b>	<b>20,325</b>	<b>16,441</b>	<b>(3,884)</b>

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

	2008/09 £'000	2009/10 £'000
<b>Surplus / (Deficit) on Income and Expenditure Account</b>	<b>(5,352)</b>	<b>(4,367)</b>
<b>Non cash items in the Income and Expenditure Account:</b>		
Depreciation and Amortisation	2,079	1,710
Amortisation of Government Grant and other Contributions	(355)	(424)
Impairment of Fixed Assets and LATs	4,280	2,705
Non cash items relating to the disposal of fixed assets	(20)	18
Charges for retirement benefits accordance with FRS 17	(90)	119
<b>Sub-total – Non Cash Item</b>	<b>5,894</b>	<b>4,128</b>
Other Adjustments:		
Movement in Collection Fund balance	(340)	(133)
Other adjustments	(91)	6
<b>Sub-total - Other adjustments</b>	<b>(431)</b>	<b>(127)</b>
<b>Movement in working capital (excl. capital debtors, creditors and accruals):</b>		
(Increase) / decrease in long & short term debtors	185	(1,048)
Increase / (decrease) in long & short term creditors	2,956	(1,772)
(Increase) / decrease in stock / WIP	1	(2)
<b>Sub-total – Movement in Working Capital</b>	<b>3,142</b>	<b>(2,822)</b>
<b>Net Cash Flow From Revenue Activities</b>	<b>3,253</b>	<b>(3,188)</b>

## Statement of Accounts 2009/10

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

	31 March 2009	31 March 2010	Movement
	£'000	£'000	£'000
Cash in Hand	1	1	0
Cash at Bank	780	(24)	(804)
	781	(23)	(804)
Debt due after 1 year	0		0
Debt due within 1 year	0		0
	0	0	0
Current asset investments	20,325	16,441	(3,884)
Long term investments	0		0
	20,325	16,441	(3,884)
<b>Net Funds / (Debt)</b>	<b>21,106</b>	<b>16,418</b>	<b>(4,688)</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 Council's activities and either readily convertible into known amounts of cash at or close to its carrying amount, or traded on a active market.

The Council had no net debt as at the 31 March 2010 or at any point during the year.

### 35. Other Government Grants

Cash received in the year was as follows:

31 March 2009 £'000		31 March 2010 £'000
2,712	Council Tax Benefit	3,061
618	Planning Delivery Grant	192
356	Benefit Administration Grant	394
194	Concessionary Fares Grant	199
94	Homelessness Grant	125
85	Rent Allowances	87
85	Community Safety Grants	68
25	Local Area Business Incentive Grant	39
23	Area Based Grant	23
11	Route Call	10
73	Contaminated Land Grant	41
292	Disabled Facilities Grant	240
0	Business Rate Collection	11
0	Temporary Accommodation - DWP	6
0	EU Election	45
0	LPSA	219
<b>4,568</b>	<b>Total</b>	<b>4,760</b>

## Statement of Accounts 2009/10

### 36. Government Grants

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

31 March 2009 £'000		31 March 2010 £'000
533	Revenue Support Grant	782
25	Local Authority Business Growth Incentives Scheme Grant	39
23	Area Based Grant	23
0	Local Area Performance Grant	58
<b>581</b>	<b>Total</b>	<b>902</b>

### 37. Council tax collection fund adjustment

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

	Total Collection Fund 2009/10 £'000	Surrey County Council £'000	Surrey Police Authority £'000	EEBC £'000
Council Tax Arrears	1,349	1,019	182	148
Impairment Allowance for doubtful debts	(548)	(414)	(74)	(60)
Council Tax overpayments and prepayments	(709)	(536)	(95)	(78)
Collection Fund Deficit	62	47	8	7
Cash	(154)	(116)	(21)	(17)

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## Statement of Accounts 2009/10

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### 38. Post Balance Sheet Events

The 2009/10 statement of accounts were authorised for issue by John Turnbull, on 28 September 2010. All material events after the balance sheet date until this date have been considered for disclosure as events after the balance sheet date and as a result the following disclosure is made.

Since 1972, each April, public-sector pensions have been increased in line with the Retail Prices Index ('RPI'). HM Treasury has confirmed that from April 2011 the increase in pensions will be linked to the Consumer Prices Index ('CPI'). Historically, the CPI has usually been lower than the RPI. Local authorities may therefore see a reduction in FRS 17 liabilities (IAS 19 for probation bodies and Appendix II to the FRSSE for larger local councils).

The change in the basis for public-sector pension increases is a potential non-adjusting event under FRS 21: Events after the Balance Sheet Date. This is because it is indicative of conditions that have arisen after the balance sheet date.

It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

## Statement of Accounts 2009/10

### COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	2008/09 £'000	2009/10 £'000
Income :-		
Council Tax Income	41,872	42,728
Transfers from General Fund - Council Tax Benefits	2,683	3,120
Income Collectable from Non Domestic Ratepayers	21,891	22,647
	66,446	68,495
Expenditure :-		
Precepts and Demands	44,598	46,498
Distribution of prior year surplus on Collection Fund	98	96
Non Domestic Rates - Payments to National Pool	21,800	22,556
- Costs of Collection	91	91
Bad and Doubtful Debts - Write Offs	228	84
- Provisions	(29)	38
	66,786	69,363
Movement on Fund Balance	(340)	(868)
Balance Brought Forward at 1 April	1,146	806
<b>Balance Carried Forward at 31 March</b>	<b>806</b>	<b>(62)</b>

# Statement of Accounts 2009/10

## NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE

Band	Total Properties For Band	Proportion To Band D	Relevant Amount for Band
A	105.35	6/9 <sup>th</sup>	70.23
B	890.65	7/9 <sup>th</sup>	692.73
C	3,988.80	8/9 <sup>th</sup>	3,545.60
D	7,257.65	9/9 <sup>th</sup>	7,257.65
E	6,905.55	11/9 <sup>th</sup>	8,440.12
F	4,144.05	13/9 <sup>th</sup>	5,985.85
G	3,528.05	15/9 <sup>th</sup>	5,880.08
H	108.00	18/9 <sup>th</sup>	216.00
Aggregate of Relevant Amounts			32,088.26
Estimated Collection			98.80%
Council Tax Base			31,703.20

### Non-Domestic Rates Statistics

	2008/09	2009/10
Total Non-Domestic Rateable Value at year end	£54,792,510	£55,706,405
National Non-Domestic Rate Multiplier	46.20	48.50
National Non-Domestic Rate Charged in year after allowing for reliefs and other deductions	£22,072,669	£22,923,198

### Precepting Bodies

	2008/09 £'000	2009/10 £,000
Surrey County Council	33,805	35,192
Surrey Police	5,999	6,263
Epsom and Ewell Borough Council	4,794	5,043
<b>Total Precepts on Collection Fund</b>	<b>44,598</b>	<b>46,498</b>

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## Statement of Accounts 2009/10

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### TRUST AND OTHER FUNDS AS AT 31 MARCH 2010

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

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

	2008/09	2009/10
	Capital Value of Fund	Capital Value of Fund
Trust Fund	£'000	£'000
<b>Chuter Ede</b> Used to assist university students resident in the Borough.	33	33
<b>Other Funds</b> Total Capital Value of other funds	21	22
<b>Totals</b>	<b>54</b>	<b>55</b>

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# Statement of Accounts 2009/10

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## GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

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

### FINANCIAL TERMS

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

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## Statement of Accounts 2009/10

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

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## Statement of Accounts 2009/10

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**Support Services**

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