EPSOM & EWELL BOROUGH COUNCIL

Financial Statements 2012/13

Contents

Epsom and Ewell Borough Council
Statement of Accounts 2012/13

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 24 September 2013.

Neil Dallen
Chairman of Strategy and Resources Committee **Date: 26/9/2013**

Certificate of the Director of Finance

I certify that the statement of accounts for the financial year 2012/13 set out on pages 6 to 75 attached, presents a true and fair view of the financial position of the Council as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

These financial statements which I have authorised for issue on 26 September 2013, replace the unaudited financial statements certified by the Director of Finance on 27 June 2013

J.L. Turnbull CPFA
Director of Finance **Date: 26/09/2013**

Explanatory Foreword

1. Introduction

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

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

There have been no changes to the presentation of the accounts with effect from 2012/13.

The Council's accounts for the year 2012/13 are set out on pages 6 to 75 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 2013 and consist of the following:

The Council's General Fund balance stands at £3,230,000 as at 31 March 2013, after making a contribution to reserves of £172,000 for 2012/13. The Council's financial health has been maintained over 2012/13 and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term, with risk on the economic recovery and uncertainty around Local Government funding.

The Council's has produced a Medium Term Financial Strategy which aims to maintain the financial health of the Council whilst delivering the priorities set out in the Corporate Plan. Taking into account announced cuts in Central Government funding the current Financial Strategy assumes a saving requirement of £500,000 per annum until March 2016.

Current Economic Climate

The economic crisis that that has affected the global economy since the autumn of 2008 produced volatility in income received by the Council from fees and charges. In setting the 2012/13 budget there was still uncertainty about the ongoing impact on income streams such as car park income, Council venues, building control and planning fees. However, overall the total income received from fees and charges during the year was broadly in line with the budget. The income received from fees and charges is very much dependant on the disposable income of individuals and therefore remains an area of concern which will be closely monitored.

Investment income arising from the interest the Authority earns on investing any surplus fund makes a significant contribution to reducing the Council Tax. Budgeted interest on balances has fallen from £1,037,000 in 2008/09 to £281,000 in 2012/13 as a result of the decrease in deposit rates and a consequence of the reduction in the Council's list of approved counterparties with which the Council places its investments in order to reduce the risk of the Council losing its investment.

Explanatory Foreword

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

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

Balance Sheet - which sets out the financial position in terms of assets and liabilities of the Council as at 31 March 2013;

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.

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

2. Budget Performance 2012/13 - Council Tax Accounts

Total precept requirements were £1,520.28 per Band D property. This comprised £1,149.66 for Surrey County Council, £203.49 for Surrey Police and £167.13 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 £2.767 million, Revenue Support Grant of £56,000 and council tax freeze grant of £130,000. The resultant precept on the Collection Fund amounted to £5.376 million.

The Council achieved a council tax collection rate of 98.8% (98.7% in 2011/12). Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

3. General Fund Revenue Account

The Council's estimated budget requirement (net spend on services) reduced by 1.5% for 2012/13 compared to 2011/12. With the Council's estimated council tax requirement increased by £186,000 (3.6%), which comprised of council tax (2.5%) and extra properties (1.1%). The main budget changes are shown in the table below:

Net expenditure 2012/13 by Committee is detailed below.

2011/12 Actual £'000		2012/13 Original Budget £'000	2012/13 Actual £'000	2012/13 Variance* £'000
1,653	Strategy and Resources Committee	1,811	1,369	(442)
2,907	Environment Committee	2,939	2,535	(404)
2,204	Social Committee	2,096	2,397	301
3,284	Leisure Committee	3,042	3,521	479
(1,536)	Asset Rent Landlord Account	(1,536)	(1,642)	(106)
8,512	**TOTAL**	**8,352**	**8,180**	**(172)**

* Individual Committee variations include changes to internal recharges.

Net expenditure 2012/13 by Subjective description is detailed below.

2011/12 Actual £'000		2012/13 Original Budget £'000	2012/13 Actual £'000	2012/13 Variance* £'000
10,391	Employees	10,293	11,040	747
3,724	Premises related expenses	3,481	3,939	458
5,396	Supplies and services	4,935	5,654	719
638	Third Party payments	618	509	(109)
22,850	Transfer payments	21,448	23,440	1,992
676	Transport related expenses	1,692	1,643	(49)
(35,163)	Income	(34,115)	(38,045)	(3,930)
8,512	**TOTAL**	**8,352**	**8,180**	**(172)**

* Individual Committee variations include changes to internal recharges.

4. Contributions To / From Strategic Revenue Reserves

A net contribution of £100,000 was made from Strategic Revenue Reserves to the General Fund in 2012/13 (compared to a net contribution of £22,000 from the General Fund in 2011/12).

Net expenditure for the year was £172,000 less than the original estimate, which represents a favourable variation of 2.1% against the Council's net budget requirement.

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:

2011/12 Actual £'000		2012/13 Original Budget £'000	2012/13 Actual £'000	2012/13 Variance £'000
3,070	Balance Brought Forward at 1 April	2,895	3,058	163
(34)	Surplus/ (Deficit) for the year	0	0	0
22	Transfer from Strategic Reserves	0	0	0
3,058	**Balance Carried Forward at 31 March**	**2,895**	**3,058**	**163**

5. Capital Expenditure

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.

The Council spent £1,297,000 on capital schemes in 2012/13. A summary of expenditure by committee is shown below and the sources of funding.

2011/12 Restated Actual £'000		2012/13 Original Budget £'000	2012/13 Actual £'000	2012/13 Variance £'000
402	Strategy and Resources	367	370	3
196	Environment Committee	262	253	(9)
638	Social Committee	1,815	471	(1,344)
228	Leisure Committee	220	203	(17)
1,464	**TOTAL**	**2,664**	**1,297**	**(1,367)**
50	Capital expenditure financed from revenue		68	
1,514	**TOTAL CAPITAL EXPENDITURE**		**1,365**	

2011/12 £'000		2012/13 £'000
895	Capital Receipts	461
569	External Contributions	836
1,464	**TOTAL**	**1,297**
50	Revenue Contribution	68
1,514	**TOTAL**	**1,365**

The Council generated £201,000 of new capital receipts during the year.

The balance of the Council's usable capital reserves at 31 March 2013 is £4.7 million (compared to £4.9 million at 31 March 2012).

The Council has been debt free since 31 March 1994 and had no debt outstanding at any time during the year. The lease liability is shown as a finance lease for IFRS accounting purposes

6. Further Information

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.

7. Pension Liability

The balance of the Council's pension liability as at 31 March 2013 is £23.44 million (compared to £20.64 million at the 31 March 2012). This is a increase of £2.80 million in the year. See note 18 for further explanation. The Council offers retirement pensions to its staff under a statutory scheme and makes contributions to pension schemes on their behalf. Although the pension benefits are not payable until employees retire, the Council has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the assets (investments) of the pension schemes and the net amount is included in the accounts as the Council's "Pensions Liability". Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, there are statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the schemes over the remaining working lives of the staff.

Movement In Reserves statement for the year ended 31 March 2013

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

2012/13	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Deferred Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2012	**(3,058)**	**(5,767)**	**(4,949)**	**0**	**(190)**	**(13,964)**	**(50,090)**	**(64,054)**
Movement in reserves during 2012/13								
(Surplus) or deficit on the provision of services	1,665					**1,665**		**1,665**
Other Comprehensive Income and Expenditure						**0**	(363)	**(363)**
Total Comprehensive Income and Expenditure	**1,665**	**0**	**0**	**0**	**0**	**1,665**	**(363)**	**1,302**
Adjustments between accounting basis & funding basis under regulations	(1,937)		260	0	180	**(1,497)**	1,497	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves						**0**		**0**
Transfers to/from Earmarked Reserves	100	(100)				**0**		**0**
Increase/Decrease in 2012/13	**(172)**	**(100)**	**260**	**0**	**180**	**168**	**1,134**	**1,302**
Balance at 31 March 2013	**(3,230)**	**(5,867)**	**(4,689)**	**0**	**(10)**	**(13,796)**	**(48,956)**	**(62,752)**

Detail Note19 on page 48

See Note 22 on Page 51, Note18 on Page 42 and Note 27 on Page 54 for further details

Movement In Reserves statement for the year ended 31 March 2012

2011/12	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Deferred Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2011	**(3,070)**	**(5,767)**	**(5,828)**	**(11)**	**(190)**	**(14,866)**	**(53,093)**	**(67,959)**
Movement in reserves during 2011/12								**0**
(Surplus) or deficit on the provision of services	3,638					**3,638**		**3,638**
Other Comprehensive Income and Expenditure						**0**	267	**267**
Total Comprehensive Income and Expenditure	**3,638**	**0**	**0**	**0**	**0**	**3,638**	**267**	**3,905**
Adjustments between accounting basis & funding basis under regulations	(3,626)		879	11		**(2,736)**	2,736	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves						**0**		**0**
Transfers to/from Earmarked Reserves						**0**		**0**
(Increase)/Decrease in 2011/12	**12**	**0**	**879**	**11**	**0**	**902**	**3,003**	**3,905**
Balance at 31 March 2012	**(3,058)**	**(5,767)**	**(4,949)**	**0**	**(190)**	**(13,964)**	**(50,090)**	**(64,054)**

Detail Note19 on page 49

Comprehensive Income and Expenditure Statement for Year Ended 31 March 2013

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

2011/12				2012/13 Final Outturn			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
4,879	(4,114)	765	Central Services		5,354	(4,297)	1,057
5,263	(1,981)	3,282	Cultural and Related services		5,746	(2,089)	3,657
4,891	(2,225)	2,666	Environmental and Regulatory Services		4,996	(2,349)	2,647
1,349	(465)	884	Planning Services		1,516	(587)	929
5,307	(3,193)	2,114	Highways, Roads and Transport Services		2,249	(3,028)	(779)
22,000	(20,754)	1,246	Housing Services		23,152	(21,723)	1,429
1,883	(935)	948	Social Services		1,867	(990)	877
1,741	(104)	1,637	Corporate & Democratic Core		1,763	(893)	870
(29)	249	220	Non Distributed Costs		302	(136)	166
47,284	**(33,522)**	**13,762**	**Cost of Services**		**46,945**	**(36,092)**	**10,853**
		10	Other Operating (Income) and expenditure	13			57
		(1,654)	Financing and investment (Income) and expenditure	14			(577)
		(8,480)	Taxation and non-specific grant income	15			(8,668)
		3,638	**(Surplus) or Deficit on Provision of services**				**1,665**
		(4,402)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	26			(2,899)
		4,669	Actuarial (Gain)/Loss arising on pension fund assets & liablilties	18			2,536
		267	**Other Comprehensive Income and Expenditure**				**(363)**
		3,905	**Total Comprehensive Income and Expenditure**				**1,302**

Balance Sheet as at 31 March 2013

01/04/2011 £'000	2011/12 Restated £'000		Note	2012/13 £'000
		Long-term Assets		
		Property, Plant and Equipment		
44,727	45,460	Other land and buildings	28	44,844
41	41	Infrastructure assets	28	41
0	105	Assets Under Construction	28	0
3,625	3,646	Community assets	28	3,473
4,953	4,661	Vehicle & Equipment	28	5,920
53,346	**53,913**	**Total Property, Plant and Equipment**		**54,278**
17,570	18,163	Investment properties	29	18,431
510	510	Heritage Assets	50	614
137	108	Intangible Assets	30	190
18	5	Long Term Debtors	31	15
71,581	**72,699**	**Total Long-term Assets**		**73,528**
		Current Assets		
11	13	Inventories	33	22
4,566	3,979	Short-term debtors	32	4,117
0	2,500	Short-term Investments	39	5,000
17,711	17,990	Cash and cash equivalents	40	15,131
22,288	**24,482**	**Total Current Assets**		**24,270**
		Current Liabilities		
4,737	6,778	Short-term creditors	34	6,959
702	533	Lease Liability - Within One year	8	537
5,439	**7,311**	**Total Current liabilities**		**7,496**
		Long-term Liabilities		
16,027	20,640	Liability related to defined benefit pension schemes	18	23,441
2,536	3,575	Capital grants receipts in advance	48	3,322
1,908	1,601	Deferred liabilities	8	787
20,471	**25,816**	**Total Long-Term Liabilities**		**27,550**
67,959	**64,054**	**NET ASSETS**		**62,752**

Balance Sheet as at 31 March 2013

01/04/2011 £'000	2011/12 Restated £'000	Balances and Reserves	Note	2012/13 £'000
		Usable Reserves		
3,070	3,058	General Fund	21/22	3,230
5,767	5,767	Earmarked reserves	21/22	5,867
5,828	4,949	Capital receipts reserve	24	4,689
11	0	Deferred capital receipts Reserve		0
190	190	Capital grants unapplied	25	10
14,866	**13,964**	**Total Usable Reserves**		**13,796**
		Unusable reserves		
9,740	14,142	Revaluation Reserve	26	16,885
59,376	56,581	Capital Adjustment Account	27	55,464
4	7	Collection Fund Adjustment Account	49	48
(16,027)	(20,640)	Pensions reserve	18	(23,441)
53,093	**50,090**	**Total Unusable Reserves**		**48,956**
67,959	**64,054**	**TOTAL RESERVES**		**62,752**

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

Cash Flow Statement

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

2011/12 £'000 Restated		Note	2012/13 £'000
3,638	**Net (Surplus) or Deficit on the Provision of services**		**1,665**
(6,746)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	41	(2,696)
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	43	476
(3,108)	**Net cash flows from Operating Activities**		**(555)**
2,127	Net cash outflow / (inflow) from investing activities	44	2,543
702	Net cash outflow / (inflow) from financing Activities	45	871
	Net cash outflow / (inflow) from investing activities		
(279)	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD**	40	**2,859**
17,711	Cash and Cash Equivalents at the beginning of the period		**17,990**
17,990	Cash and Cash Equivalents at the end of the reporting period		**15,131**

Notes to the Core Statement of Accounts

Note 1: Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the 'Accounts and Audit Regulations 2011', which, those Regulations require, to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the SeRCOP (Service Reporting Code of Practice - Service Expenditure Analysis) 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of 'the 2003 Act' The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Debtors and Creditors

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 2013 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 2013, are included at the best available estimate.

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.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

- Employee leave and overtime carried forward from the previous year is not accrued unless material.

5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in specified period (no more than three months) or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

6. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- amortisation of intangible non current assets attributable to the service.
- revaluation up on assets used by the service where there are accumulated gains in the Impairment Reserve against which the gains can be written off

- impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

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

The Council is debt free and has no external borrowing. However, due to the change in the classification of leases under IFRS the Council has split the lease payments between repayment of principal and financing charges. The financing charges are shown under Financing and Investment Income and Expenditure on the Comprehensive Income & Expenditure Statement.

7. Employee Benefits

Benefits Payable During Employment: Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post-Employment Benefits: Employees of the Council are members of the Local Government Pensions Scheme, administered by Surrey Pension Fund. Scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Superannuation fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the Market iBoxx Sterling Corporate Index, AA over 15 years).

- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - Property - market value.

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

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

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

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

8. Overheads and Support Services

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 SeRCOP code of Practice 2012/13 (SeRCOP). 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 multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

9. Financial Instruments

Financial Liabilities: Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Council has classified some operating lease non current assets into finance lease due to the new IFRS code. Interest has been calculated using IRR method as required by the code and classified under financing and investment income and expenditure line within the Comprehensive Income and Expenditure Statement.

However, there are no bonds issued by the Council in 2012/13 and no other borrowings made.

Financial Assets: Financial assets are classified into two types:

loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market

available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables: Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, If, the Council has made loans to voluntary organisations at less than market rates (soft loans, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

10. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

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

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

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

11. Provisions, Contingent Liabilities and Contingent Assets

Provisions: Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities: A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets: A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

12. Reserves

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

The Council maintains the following main strategic revenue reserves:

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

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

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

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

- **Corporate Project Reserve** is maintained as a general corporate contingency against additional scheme costs and to fund spend to save initiatives;

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

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

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

- **Other Reserves** provide funding for historic buildings, planning initiatives, community safety, various partnership funds, yell funds, Civic Investment fund and training**.**

VAT

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

13. Executive Remuneration

Remuneration is disclosed in note 9/10 of the Core Statement of Accounts (page40/41). 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.

14. Interest Rates

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.

15. Council Tax Income

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

- in its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors and itself.

- while the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council. 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.

The Code requires that council tax income is included in the Comprehensive 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. From the year commencing 1 April 2009, Council tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year.

For the billing authority 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.

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.

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.

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.

16. Revenue Expenditure Funded from Capital under Statute

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

17. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

18. Non Current Assets

Charges to Revenue for Non-Current Assets

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

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

Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Jointly Controlled Operations and Jointly Controlled Assets

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

Property, Plant and Equipment

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

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

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

Assets Under Construction

Assets under construction are valued on the basis of those costs incurred up to 31 March and are held as non operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on it's use or nature.

Assets under construction are carried under the Property, Plant and Equipment heading unless:

- they are being constructed for disposal – in which case they will be accounted for as part of Inventories
- they are being constructed as investment properties

Assets under construction are not depreciated

Measurement: Assets are initially measured at cost, comprising:

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

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

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

- land and operational properties are valued at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where this cannot be assessed because there is no open market for the asset, the depreciated replacement cost (DRC) is used. The only exception to this, are 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 historic cost.
- assets under construction are valued on the basis of those costs incurred up to 31 March and are held as non operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on its use or nature.
- non-operational assets (investment properties) are valued on the basis of open market value.

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

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

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction). Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset

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.

Componentisation: Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and with different estimated useful lives, the components are depreciated separately. For the purpose of assessing whether a component is significant, the Council's policy is as follows:

- that the value of the asset, excluding the land value, must be greater than £1,000,000 and
- the cost of the component should be greater than 20% of the total value of the asset.

In addition, the asset must have a useful life (for depreciation purposes) that is significantly different from that of the main structure.

The Council is implementing componentisation as part of the five year revaluation cycle. Newly acquired assets and those that have been significantly enhanced will also be componentised.

Componentisation categories:

- Land
- Structure
- External Works
- Roof
- Plant

Where a property is revalued, any difference in non-land values will be assigned to the structure.

Disposals and Non-current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Heritage Assets

Heritage assets are a distinct class of asset which is reported separately from property, plant and equipment and from intangible assets. The CIPFA Code requires that heritage assets are reported on the face of the Balance Sheet. Assets were introduced for the first time in the 2011/12 Code. It is expected that these assets to adopt the requirements of the UK standard FRS 30 as there aren't any international standards available. The Code follows the requirements of FRS 30 by retaining the recognition and measurement requirements of tangible non-current assets (including depreciation and impairment). Any intangible assets follows the requirements of IPSAS31 and Council has none.

A key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge and culture, and it is this which distinguishes them from other assets. In particular, this test will need to be applied when distinguishing between heritage assets and community assets.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see page 28 within accounting policies. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts

Measurement and Valuation The Council has recognised heritage assets where information on cost or value is available. Inital recognition of tangible heritage assets has been carried out in accordance with the Property, Plant and Equipment code and initial recognition of intangible heritage assets in accordance with Intangible Assets Code. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the tax payers council does not require to recognise the asset on the Balance Sheet.

It may not be possible to establish a valuation for a heritage asset due to the lack of comparative information. The unique nature of many heritage assets makes reliable valuation complex therefore, where it is not practicable to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the Code permits the asset to be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) or insurance valuations. The Council Deminimus level is £20,000.

Valuations need not be carried out by external valuers, and neither is there a requirement for valuations to be verified by external valuers and a full valuation every five years is not required. There is no prescribed minimum period between valuations as long as the carrying amount to be current. Same rules applies to Donated Heritage assets. The assets recognised in the Balance Sheet have been valued for insurance purposes, except for peoperty assets, that have been valued at historic cost in line with our accounting policy for community assets.

19. Leases

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

The Authority as Lessee

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

The Authority as Lessor

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

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

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

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

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

21. Events after the Balance Sheet Date

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 24 September 2013 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

Note 2 : Critical Judgements In Applying Accounting Policies

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

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

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. For the purposes of the 2012/13 financial statements the Council has applied a materiality level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave has not been accrued and the amount for 2012/13 is £109,000. (£123,000 for 2011/12)

When classifying assets Council has applied judgement to leave clocktower as an Investment property instead of Heritage asset.

Note 3: Cost of Services

The cost of services is presented in accordance with the Service Reporting Code of Practice (SeRCOP).

Note 4: Accounting Standards that have been issued but have not yet been adopted

The following accounting policy changes are not yet reflected in the 2012-13 IFRS Code:

• IAS 1 Presentation of Financial Statements (other comprehensive income, June 2011 amendments);

• IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities December 2011 amendments);

• IAS 12 Income Taxes (deferred tax: recovery of underlying assets, December 2010 amendments); and

• IAS 19 Employee Benefits (June 2011 amendments).

The only changes that impact the accounts are the amendments to IAS19 Employee Benefits. The changes impact the presentation of items in the Consolidated Income and Expenditure Statement and are not expected to be material.

Note 5 : Assumptions made about the future and other major sources of estimation

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

The items in the Council's Balance Sheet at 31st March, 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment £54.3 million	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £130k for every year that useful lives had to be reduced.
Pension Liability (£23.4) million	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the real discount rate assumption would result in an increase 9% employer liability and approximate monetary amount is £6.35m.
Bad Debt Provision (£1.2) million	The current economic climate makes it uncertain that all the monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors. Council impair the debt wherever using a methodology and regularly write off the irecoverable debts after all reasonable steps have been taken.	Council debt does not fluctuate heavily however, officers have a increased time to chase debtors to reduce the debts. Also if we asses the bad debts is going to increase then we will increase the impairments and will write off to CIE. For example, a 1% increase in the provision would result in an increase of £41,000 in deficit.

Note 6: Non adjusting Event

National Non Domestic Rates: Based on the latest information provided from the Valuation Office, I estimate that total outstanding appeals are around £17.8m. Using an estimated success rate of approx. 25% of claims and applying an estimated 20% reduction amount arising from successful appeals, I have calculated that £401k pa could be payable. Most of these appeals would potentially be subject to backdating to 2010 so this increases the total liability to £1,203k. This would mean that SCC's 10% share is £120k and Epsom & Ewell's 40% share £480k. This is a non-adjusting subsequent event because the change in Business Rates accounting did not become operational until 1 April 2013. Council is including as a non-adjusting post-balance sheet event in our 12/13 accounts.

Note 7 : Prior Period Adjustments

£2.5 m Investments held more than three months included in the cash and cash equivalents in 2011/12 and have been splited from the cash and cash equivalents and classified as investments. A third balance sheet has been shown to take this into effect. (see note 40)

Note 8: Finance and Operating Leases

Finance Leases

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

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

2011/12 £'000		2012/13 £'000
2,012	Vehicles, Plant, and Equipment	1,452

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

2011/12 £'000		2012/13 £'000
533	Finance lease liabilities (net present value of minimum lease payments): Current	537
1,601	Finance lease liabilities (net present value of minimum lease payments): non- Current	787
351	Finance costs payable in future years – Interest	217
2,485	**Minimum lease payments**	**1,541**

Minimum Lease Payments 2011/12 £'000	Finance Lease Liabilities 2011/12 £'000		Minimum Lease Payments 2012/13 £'000	Finance Lease Liabilities 2012/13 £'000
679	533	Not later than one year	652	537
1,381	1,263	Later than one year and not later than five years	889	787
340	338	Later than five years	0	0

Lease payments are apportioned between:

• a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

• a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

• Minimum lease payments include both finance charge (interest) and lease liabilty (principal).

Council as Lessor (Operating Lease)

In 2012/13 the Council received £1,434,000 in rental income from its investment properties (compared to £1,266,000 in 2011/12), 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 £16,391,000 (16,675,000 in 2011/12).

The future lease payments receivable in future years are:

Lease Income 2011/12 £'000		Lease Income 2012/13 £'000
1,538	Not later than one year	1,466
2,959	Later than one year and not later than five years	3,118
38,076	Later than five years	39,478
42,573	**Total**	**44,062**

£32 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 no contingent rents were receivable by the Authority (2011/12 £nil).

The Council leases parts of the Town Hall to Surrey County Council (SCC) and Surrey Police. The lease with SCC lease is on a rolling basis and earns annual rental of £188,000 per annum. The lease with Surrey Police is for ten years commencing January 2012 with an annual value of £87,000. Income from both leases are Included within the cost of services and part of the lease income table above.

Council as Lessee (Operating Leases)

Operating Lease Liabilities 2011/12 £'000		Operating Lease Liabilities 2012/13 £'000
4	Not later than one year	52
0	Later than one year and not later than five years	0
0	Later than five years	0

Council use operating lease to hire equipment and vehicles to carry out any work. Normally the usage of equipment is less frequent and seasonal

Note 9: Audit Costs

In 2012/13 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2011/12 £'000		2012/13 £'000
90	Fees payable to the external auditors with regard to external audit	59
25	Fees payable to the external audit for the certification of grant claims and returns	15
4	Fees payable to the external auditors with regard to other services	0
119	**Balance to Income and Expenditure Account**	**74**

A £5,200 rebate was given by Audit Commission for the 2012/13 audit.
The Council's external auditors have been Grant Thornton UK LLP since 1st November 2012.
Previously the Council external auditors were the Audit Commission's Audit Practice.

Note 10: Executive Remuneration Bands and Exit Packages

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

No. of Staff 2011/12	Remuneration Range	No. of Staff 2012/13
2	£50,000 - £54,999	1
3	£55,000 - £59,999	2
5	£60,000 - £64,999	3
2	£65,000 - £69,999	3
0	£70,000 - £74,999	1
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
1	£85,000 - £89,999	1
1	£90,000 - £94,999	1
1	£95,000 - £99,999	1
0	£100,000 - £104,999	0
0	£105,000 - £109,999	1
1	£110,000 - £114,999	0
16	**Total**	**14**

Further explanation of information is included overleaf.

Exit Packages

Council has no exit packages for the financial year 2012/13

Detailed remuneration information for senior employees (who are also included in Note 9) is set out below. The table immediately below shows information for 2012/13 and the table at the foot of the page shows the equivalent information for 2011/12.

2012/13	**Chief Executive**	**Director of Operations**	**Director of Finance**	**Director of Human Resources**	**Head of Legal Services**
all figs. £'000					
Salary *	99	85	85	81	53
Bonuses	0	1	1		1
Expenses Allowances	4	3	3	3	5
Compensation for loss of office	0	0	0	0	0
Other Benefits	7		7	7	5
Total remuneration excluding Pension contributions	**110**	**89**	**96**	**91**	**64**
Pension Contributions	15	13	13	13	9
Total remuneration including pension contributions 2012/13	**125**	**102**	**109**	**104**	**73**

Detailed Remuneration Information for the Previous Financial Year

2011/12	**Chief Executive**	**Director of Operations**	**Director of Finance**	**Director of Human Resources**	**Head of Legal Services**
all figs. £'000					
Salary *	103	85	85	81	52
Bonuses	0	0	0	0	1
Expenses Allowances	4	3	3	3	8
Compensation for loss of office	0	0	0	0	0
Other Benefits	7	0	7	7	3
Total remuneration excluding Pension contributions	**114**	**88**	**95**	**91**	**64**
Pension Contributions	16	13	13	13	8
Total remuneration including pension contributions 2011/12	**130**	**101**	**108**	**104**	**72**

***** These include election payments

Note 11: Members' Allowances

The total amount of Members' allowances paid in 2012/13 was £153,000 (£153,000, was paid in 2011/12). Allowances did not change in the last two years.

Please use the link below to detailed information on the members allowance payment.
http://www.epsom-ewell.gov.uk/NR/rdonlyres/99C47EE5-90B5-485E-AD27-D1FCDA04112E/0/PART6CouncillorsAllowancesScheme.pdf

Note 12: Related Parties

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

UK Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework, within which the Authority operates. UK Central government provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Details of the most significant transactions with central government are included in the Income and Expenditure Account and Cash Flow Statement.

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

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

During 2012/13 the Council made grant payments of £140,000 to three voluntary organisations and for a school in which a total of five 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.

Payments made 2011/12 £'000	Organisation	Payments made 2012/13 £'000	Councillor
16	Age Concern	16	Nigel Pavey Humphrey Reynolds Jean Steer
105	Citizen Advisory Bureau	106	Eber Kington
17	Carers of Epsom	17	Nigel Pavey
1	Blenheim School	1	David Wood
1	Methodist Church / Scout	0	Neil Dallen Lucie Dallen Paul Dallen
140	**Total Grants**	**140**	

Note 13: Other Operating expenditure

2011/12 £'000		2012/13 £'000
12	Payments to the Government Housing Capital Receipts Pool	0
(2)	(Gains) /Losses on the disposal of non-current assets	204
0	Other Income	(147)
10	**Total**	**57**

Note 14: Financing and Investment Income and Expenditure

2011/12 £'000		2012/13 £'000
180	Interest payable and similar charges - Finance Lease	171
259	Pensions interest cost and expected return on pensions assets	592
(593)	Movement in Investment properties	(171)
(1,115)	Other income	(770)
(385)	Interest receivable and similar income	(399)
(1,654)	**Total**	**(577)**

Note 15: Taxation and Non Specific Grant Incomes

2011/12 £'000		2012/13 £'000
(5,193)	Council tax income	(5,440)
(2,412)	Non domestic rates	(2,767)
(745)	Non ring-fenced government grants	(56)
0	Capital grants and contributions	(275)
(130)	Council tax freeze grant	(130)
(8,480)	**Total**	**(8,668)**

Note 16: Amounts Reported for Resource Allocation Decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service expenditure Analysis Code of Practice.

However, decisions about resource allocation are taken by the Committee on the basis of budget reports analysed across Committee. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

Epsom and Ewell Borough Council
Statement of Accounts 2012/13

2012/13	Environment Committee £'000	Leisure Committee £'000	Social Committee £'000	Strategy and Resources £'000	Asset Rent £'000	Grand Total £'000
Fees, Charges and Other Service income	(5,219)	(1,159)	(1,533)	(2,261)	(1,642)	(11,814)
Government Grants and contributions	(282)	(738)	(502)	(26,351)	0	(27,873)
	(5,501)	**(1,897)**	**(2,035)**	**(28,612)**	**(1,642)**	**(39,687)**
Employees	2,971	1,066	1,363	5,640	0	11,040
Other Operating expenses	3,033	3,039	2,208	27,285	0	35,565
Support services Recharges	2,031	1,313	861	(2,943)	0	1,262
	8,035	**5,418**	**4,432**	**29,982**	**0**	**47,867**
Cost of Services	**2,534**	**3,521**	**2,397**	**1,370**	**(1,642)**	**8,180**

Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2012/13	
	£000's
Cost of Services in Service Analysis	8,180
Net expenditure of services and support services not included in the Analysis	(871)
Amounts in the CIE Statement not reported to management in the Analysis	3,378
Amounts included in the Analysis not included in the CIE Statement	166
Cost of Services on Comprehensive Income and Expenditure Statement	**10,853**

Values 2012/13	Service Expenditure £'000	Services not in analysis £'000	Not Reported to management £'000	Reported to management Not Included in Net cost of services £'000	Net Cost of services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service income	(10,172)	0	0	577	(9,595)		(9,595)
Interest and Investment income	0	0	0	0	0	(1,340)	(1,340)
Income from Council Tax	0	0	0	0	0	(5,570)	(5,570)
Government Grants and contributions	(27,873)	0	0	0	(27,873)	(3,098)	(30,971)
	(38,045)	**0**	**0**	**577**	**(37,468)**	**(10,008)**	**(47,476)**
Employees	11,040	0	0	0	11,040	0	11,040
Other Operating expenses	33,922	(871)	0	(205)	32,846	820	33,666
Support services Recharges	1,263	0	0	0	1,263	0	1,263
Depreciation, amortisation and Impairment	0	0	2,970	0	2,970	0	2,970
Contribution to Housing Pool	0	0	0	0	0	0	0
(Profit)/ Loss on sale of non current assets	0	0	202	0	202	0	202
	46,225	**(871)**	**3,172**	**(205)**	**48,321**	**820**	**49,141**
(Surplus) or Deficit on Provision of services	**8,180**	**(871)**	**3,172**	**372**	**10,853**	**(9,188)**	**1,665**

2011/12	Environment Committee £'000	Leisure Committee £'000	Social Committee £'000	Strategy and Resources £'000	Asset Rent £'000	Grand Total £'000
Fees, Charges and Other Service income	(5,059)	(1,462)	(1,442)	(2,181)	(1,536)	(11,680)
Government Grants and contributions	(373)	(616)	(451)	(24,300)	0	(25,740)
	(5,432)	**(2,078)**	**(1,893)**	**(26,481)**	**(1,536)**	**(37,420)**
Employees	2,991	1,109	1,534	4,757	0	10,391
Other Operating expenses	3,832	3,530	1,904	30,594	0	39,860
Support services Recharges	1,516	723	659	(7,217)	0	(4,319)
	8,339	**5,362**	**4,097**	**28,134**	**0**	**45,932**
Cost of Services	**2,907**	**3,284**	**2,204**	**1,653**	**(1,536)**	**8,512**

Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2011/12	**£000's**
Cost of Services in Service Analysis	8,512
Net expenditure of services and support services not included in the Analysis	(702)
Amounts in the CIE Statement not reported to management in the Analysis	4,522
Amounts included in the Analysis not included in the CIE Statement	1,430
Cost of Services on Comprehensive Income and Expenditure Statement	**13,762**

Values 2011/12	Service Expenditure £'000	Services not in analysis £'000	Not Reported to management £'000	Reported to management Not Included in Net cost of services £'000	Net Cost of services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service income	(10,144)	0	0	1,431	(8,713)	373	(8,340)
Interest and Investment income	0	0	0	0	0	(2,026)	(2,026)
Income from Council Tax	0	0	0	0	0	(5,190)	(5,190)
Government Grants and contributions	(25,740)	0	0	0	(25,740)	(3,290)	(29,030)
	(35,884)	**0**	**0**	**1,431**	**(34,453)**	**(10,133)**	**(44,586)**
Employees	10,391	0	0	0	10,391	0	10,391
Other Operating expenses	33,481	(702)	184	0	32,963	0	32,963
Support services Recharges	524	0	(594)	0	(70)	0	(70)
Depreciation, amortisation and Impairment	0	0	4,843	0	4,843	0	4,843
Contribution to Housing Pool	0	0	0	0	0	12	12
(Profit)/ Loss on sale of non current assets	0	0	88	0	88	(3)	85
	44,396	**(702)**	**4,521**	**0**	**48,215**	**9**	**48,224**
(Surplus) or Deficit on Provision of services	**8,512**	**(702)**	**4,521**	**1,431**	**13,762**	**(10,124)**	**3,638**

Note 17: Investment Income

Interest and investment income for the year amounted to £399,000, with the average rate of return achieved of 1.59% (compared to 1.52% in 2011/12). An analysis of this income and how it was distributed is shown below.

2011/12 £'000		2012/13 £'000
108	Other Investments (internally managed)	152
277	Other Investments (externally managed)	247
385	**Total Interest and Investment Income**	**399**
430	Income credited to General Fund	316
67	Income credited to revenue reserves	70
12	Income credited to other accounts	13
(124)	Contribution from Interest equalisation reserve	0

Note 18: 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 Movement in Reserve Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and Statement of Movement in Reserves Statement during the year:

2011/12 £'000		2012/13 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
1,221	Current service cost	1,210
48	Past service gain/Cost	0
32	Curtailment and settlements	0
	Financing and Investment Income and Expenditure	
3,293	Interest cost	3,080
(3,034)	Expected return on assets in the scheme	(2,488)
1,560	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**1,802**
0	**Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	0
4,669	Actuarial (Gains) and Losses	2,536
6,229	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**4,338**
	Movement in Reserves Statement	
(1,560)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,802)
1,616	Employers' contributions payable to scheme	1,537

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012/13 is a loss of £2,536,000

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has in the long-run to pay retirement benefits. The total increased liability of £2.8 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £23.4 million. The pension liability is 37% of the balance sheet net value in 2012/13 compared to 32% in 2011/12.

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 loss of £2,536,000 (actuarial losses of £4,669,000 in 2011/12) were included in the Comprehensive Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2013 are as follows:

Reconciliation of Present value of Scheme Assets and Liabilities

2011/12 £'000		2012/13 £'000
(60,585)	**1st April**	(64,867)
(1,221)	Current service cost	(1,210)
(3,293)	Interest cost	(3,080)
(444)	Contribution by members	(422)
(2,437)	Actuarial (losses) / gains	(6,912)
(48)	Past service (costs)/ gains	0
	Entity combinations	
(32)	Losses/ (gains) on curtailments	0
114	Unfunded benefits paid	119
3,079	Benefits paid	2,922
(64,867)	**Estimates Liabilities in scheme 31 March**	**(73,450)**
44,558	**1st April**	**44,227**
3,034	Expected rate of return	2,488
444	Contributions by members	422
1,502	Contributions by employer	1,418
114	Contributions in respect unfunded benefits	119
	Entity Combinations	
(2,232)	Actuarial gains/(losses)	4,376
(114)	Unfunded Benefits paid	(119)
(3,079)	Benefits paid	(2,922)
44,227	**Estimates assets in scheme 31 March**	**50,009**
(20,640)	**Net asset / (liability) 31 March**	**(23,441)**

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

2011/12 £'000		2012/13 £'000
808	**Actual return as per actuaries**	6,864

The return on the fund in market value terms for the period to 31st March 2013 is estimated based on actual funds return as provided by the adminstering authority and Index returns where nexeccsary.

Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value of liabilities:					
Local Government Pension Scheme	(48,665)	(67,205)	(60,585)	(64,866)	(73,450)
Fair Value of Assets:					
Local Government Pension Scheme	30,747	42,999	44,558	44,226	50,009
Total	**(17,918)**	**(24,206)**	**(16,027)**	**(20,640)**	**(23,441)**

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total increased liability of £2.8 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £23.4 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2014 is £1,381,000.

Total cumulative actuarial loss to year 2012/13 is £18,577,000. (16,041,000 in 2011/12)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Surrey County Council Fund liabilities have been assessed by Hyman Robertson an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations have been:

2011/12		2012/13
	Long-term expected rate of return on assets in the scheme:	
6.3%	Equity investments	4.5%
4.4%	Property	4.5%
3.9%	Bonds	4.5%
3.5%	Cash	4.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.9 Years	Men	21.9
24 Years	Women	24.0
	Longevity at 65 for future pensioners:	
23.9 Years	Men	23.9
25.9 Years	Women	25.9
2.5%	Rate of increase in pensions	2.8%
4.8%	Rate of increase in salaries	5.1%
5.7%	Expected return on assets	4.5%
4.8%	Rate for discounting scheme liabilities	4.5%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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 2011/12		Percentage of Funds Assets 2012/13
73%	Equity Investments	76%
18%	Bonds	18%
6%	Property	5%
3%	Cash	1%
100%		**100%**

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

The actuarial gains and losses identified as movements on the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Difference between the expected and actual return on assets	40.00	35.00	15.00	9.00	19.00
Experience gains and losses on liabilities	0.02	0.02	7.08	1.45	0.07

Movement in net pension liability:

2011/12 £'000		2012/13 £'000
(16,027)	**Opening Balance**	**(20,640)**
(1,221)	Current Service Costs	(1,210)
(48)	Past Service gains/(Costs)	0
0	Adjustment made to past Liability	0
(32)	Curtailments	
(3,293)	Interest Costs	(3,080)
3,034	Return on Assets	2,488
1,616	Employer Contributions	1,537
(4,669)	Actuarial Gains / (Losses)	(2,536)
(20,640)	**Closing Balance**	**(23,441)**

Note 19: Adjustments between Accounting Basis and Funding Basis under Regulations

2012/13	Usable Reserves			
	General Fund Balance Including Ear marked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Balance Brought Forward	**8,825**	**4,949**	**190**	**50,090**
Surplus / (Deficit) for the year	**(1,665)**			**363**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive I&E				
Charges for depreciation and impairment of non-current assets	2,960			(2,960)
Movements in the market value of Investment Properties	(171)			171
Amortisation of intangible assets	47			(47)
Capital grants and contributions applied	(275)			275
Revenue expenditure funded from capital under statute (see note 20)	20			(20)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	272			(272)
Insertion of items not debited or credited to the C I&E				
Statutory provision for the financing of capital investment _Lease MRP	(871)			871
Capital expenditure charged against the General Fund	(68)			68
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			(180)	180
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(201)	201		
Use of the Capital Receipts Reserve to finance new capital expenditure		(461)		461
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.				
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):				
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 18)	1,802			(1,802)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,537)			1,537
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(41)			41
Other Adjustments				
Total Adjustments	1,937	(260)	(180)	(1,497)
Balance Carried Forward	**9,097**	**4,689**	**10**	**48,956**

2011/12	Usable Reserves			
	General Fund Balance Including Ear marked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Balance Brought Forward	**8,837**	**5,839**	**190**	**53,093**
Surplus / (Deficit) for the year	**(3,638)**			**(267)**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive I&E				
Charges for depreciation and impairment of non-current assets	4,843			(4,843)
Movements in the market value of Investment Properties	(593)			593
Amortisation of intangible assets	64			(64)
Capital grants and contributions applied	(40)			40
Revenue expenditure funded from capital under statute	64			(64)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	105			(105)
Insertion of items not debited or credited to the C I&E				
Statutory provision for the financing of capital investment _Lease MRP	(702)			702
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	(50)			50
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3)	3		
Use of the Capital Receipts Reserve to finance new capital expenditure		(894)		894
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals		0		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	12	(12)		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):	(13)	13		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 18)	1,560			(1,560)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,616)			1,616
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3)			3
Other Adjustments	(2)			2
Total Adjustments	3,626	(890)	0	(2,736)
Balance Carried Forward	**8,825**	**4,949**	**190**	**50,090**

Note 20: Revenue Expenditure funded from Capital under Statute

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

Revenue Expenditure funded from Capital under Statute in summary for

2011/12 £'000		2012/13 £'000
593	Revenue Expenditure funded from Capital under Statute Written Off	401
(529)	Less External Funding	(381)
64	**Funded from Capital Reserves**	**20**
64	Add Intangible Charges Written Off	47
128	**Transfer from Capital Adjustment Account**	**67**

Note 21: Summary Introduction to Detail of Movements on Reserves

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

Reserve	Balance 2011/12 £'000	Net Movement in Year £'000	Balance 2012/13 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	3,058	172	3,230	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement
Strategic Reserves	5,767	100	5,867	Earmarked resources to provide funding for specific areas	Note 22/23 to the Core Statement of Accounts
Capital Receipts Reserve	4,949	(260)	4,689	Proceeds of Non Current Asset sales available to meet future capital investment	Note 24 to the Core Statement of Accounts
Capital Grants Unapplied Reserve	190	(180)	10	Grants received for capital purpose have restriction and will be used in the future	Note 25 to the Core Statement of Accounts
Total usable Reserve	**13,964**	**(168)**	**13,796**		
Revaluation Reserve	14,142	2,743	16,885	Store of gains on revaluation of non current assets not yet realised through sales	Note 26 to the Core Statement of Accounts
Capital Adjustments Account	56,581	(1,117)	55,464	Store of capital resources set aside to meet past expenditure	Note 27 to the Core Statement of Accounts
Collection Fund Adjustment Account	7	41	48	Balance held on council tax and NNDR	Note 49 to the Core Statement of Accounts
Pensions Reserve	(20,640)	(2,801)	(23,441)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 18 to the Core Statement of Accounts
Total Unusable Reserve	**50,090**	**(1,134)**	**48,956**		
Total Reserves	**64,054**	**(1,302)**	**62,752**		

Note 22: Movements in Revenue Reserves

	Balance at 1 April 2011	Transfers		Balance at 1 April 2012	Transfers		Balance at 31 March 2013
		In	Out		In	Out	
	£'000		£'000	£'000	£'000	£'000	£'000
Current Balances							
General Fund	3,070	0	(12)	3,058	172	0	3,230
Collection Fund Adjustment Account	4	0	3	7	41	0	48
Total Current Balances	**3,074**	**0**	**(9)**	**3,065**	**213**	**0**	**3,278**
Strategic Reserves							
Insurance	600	28	0	628	9	(95)	542
Repairs and Renewals	727	75	(108)	694	74	(38)	730
Interest Equalisation	658	200	(174)	684	0	(19)	665
VAT Reserve	148	31	0	179	0	0	179
Housing & Planning Delivery Grant Reserve	500	0	(230)	270	0	(60)	210
Property Maintenance	243	145	0	388	6	(47)	347
Commuted Sums	1,965	30	(30)	1,965	31	(31)	1,965
Hospital Cluster Interest	216	3	0	219	3	0	222
Corporate Project Reserve	534	22	0	556	146	(129)	573
Community Safety	107	12	(41)	78	9	0	87
Historic Buildings	25	0	(22)	3	0	0	3
Local Partnership Fund	9	0	0	9	6	(3)	12
Young People Partnership Fund	32	31	(6)	57	0	(13)	44
Yell Funds	3	0	0	3	0	0	3
Training Reserve	0	34	0	34	0	(2)	32
Prevention, Personalisation & Partnership Fund	0	0	0	0	150	0	150
Civic Investment Fund	0	0	0	0	100	0	100
Other	0	0	0	0	3	0	3
Total Strategic Reserves	**5,767**	**611**	**(611)**	**5,767**	**537**	**(437)**	**5,867**
Total Revenue Reserves	**8,841**	**611**	**(620)**	**8,832**	**750**	**(437)**	**9,145**

Note 23: Capital Financing Requirement

2011/12 £'000		2012/13 £'000
(161)	**Opening Capital Financing Requirement**	**(161)**
	Capital investment	
921	Property, Plant and Equipment	800
0	Investment Properties	96
105	Assets under Construction	0
35	Intangible Assets	129
593	Revenue Expenditure Funded from Capital under Statute	400
	Sources of finance	
(894)	Capital receipts	(461)
(569)	Government grants and other contributions	(836)
	Sums set aside from revenue:	
(50)	Direct revenue contributions	(68)
(141)	Finance lease identified under IFRS	(60)
(161)	**Closing Capital Financing Requirement**	**(161)**
	Explanation of movements in year	
0	Increase in underlying need to borrowing (supported by government financial assistance)	0
	Increase in underlying need to borrowing (unsupported by government financial assistance)	
0	Assets acquired under finance leases	0
0	**Increase/(decrease) in Capital Financing Requirement**	**0**

Note: For the purpose of the CFR, leases that are now reclassified under IFRS as finance leases are not treated as debt requiring financing.

Note 24: Usable Capital Receipts Reserve

2011/12 £'000		2012/13 £'000
5,828	**Balance brought forward at 1 April**	**4,949**
17	Amounts receivable in year	201
10	Amounts receivable for pooled housing receipts	0
(12)	Amounts due Government Pool housing receipts	0
(894)	Amounts applied to finance new capital investment	(461)
(879)	**Total Increase (decrease) in realised capital resources**	**(260)**
4,949	**Balance carried forward at 31 March**	**4,689**

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.

Note 25: Capital Grants unapplied

The capital grants unapplied reserve represents the amount of capital grants receivable, there are conditions imposed or restrictions for the use of these grants. These grants have not been applied to finance capital expenditure. The Council at the end of 2012/13 had a balance of £10,000 unapplied grants which was received from Surrey County Council under the Local Strategic Partnership. (in 2011/12 the balance was £190,000)

Note 26: Revaluation Reserve

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

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

All non current assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is normally charged to the relevant service revenue account.

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

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

2011/12 £'000		2012/13 £'000
9,740	**Balance at 1st April**	**14,142**
5,584	Upward revaluation of assets	3,382
(1,182)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(483)
4,402	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**2,899**
-	Difference between fair value depreciation and historical cost depreciation	-
-	Accumulated gains on assets sold or scrapped	(156)
-	**Amount written off to the Capital Adjustment Account**	**(156)**
14,142	**Balance at 31st March**	**16,885**

Note 27: Movements in Amounts Capital Adjustment Account to Finance Capital Investment

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

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

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

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

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

2011/12 £'000		2012/13 £'000
(59,376)	**Balance brought forward at 1st of April**	**(56,581)**
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	
4,843	- charges for depreciation and impairment of non-current assets	2,960
0	- revaluation losses on property, plant & equipment	(156)
64	- amortisation of intangible assets	47
64	- revenue expenditure funded from capital under statute	20
104	-amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	272
5,075	**Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2012/13**	**3,143**
(54,301)	**Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year**	**(53,438)**
	Capital Financing Applied in the Year	
(895)	- use of the Capital Receipts Reserve used to finance new expenditure	(461)
(40)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(275)
0	- Application of grants to capital financing from the Capital Grants Unapplied Account	(180)
(702)	- statutory provision for the financing of capital investment charged against the general fund	(871)
(50)	- capital expenditure charged against the General Fund	(68)
(1,687)	**Total Capital Financing Applied in 2012/13**	**(1,855)**
(593)	- movements in the market value of Investment Properties debited or credited to the Comprehensive Income and expenditure Account	(171)
0	- movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0
(56,581)	**Balance Carried Forward at 31 March 2013**	**(55,464)**

Note 28: Property, Plant and Equipment

Property, Plant and EquipmentValuation

The Borough Council's property portfolio was first 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 2012/13 included the Longmead & Nonsuch Trading Estates, The Rainbow Centre, Epsom Playhouse, Nonsuch Mansion, The Ashley Centre, Court Recreation Ground Pavillion and Poole Road Recreation Ground Pavillion. These valuations were completed by Huggins, Edwards and Sharp and Wilks, Head & Eve, Chartered Surveyors. The properties that were revalued in 2012/13 account for £34.3 million of the net book value of assets at 31 March 2013.

Properties are also revalued to take into account any potential impairment in their value and also consequent upon construction and the completion of any material improvements. There was economic impairment on five assets in 2012/13

Properties are valued on the basis set out in the Statement of Accounting Policies on pages 24 to 29.

Depreciation

Assets are depreciated in accordance with the requirements of IAS 16 and IAS36 as set out in Statement of Accounting Policies on pages 25 to 32.

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

Other Land and Buildings – 17 to 49 years

Vehicles, plant and equipment – 4 to 10 years

Capital Expenditure

Capital expenditure of £1,365,000 was incurred in 2012/13 as follows:

2011/12 £'000		2012/13 £'000
886	Non current assets - PPE	740
0	Investment Assets	96
35	Intangibles	129
593	Revenue Expenditure funded from Capital under Statute written off	400
1,514	**TOTAL CAPITAL EXPENDITURE**	**1,365**

Funding of capital expenditure in 2012/13 is detailed below.

2011/12 £'000		2012/13 £'000
895	Capital Reserves	461
288	Government Grants	630
50	Revenue	68
10	Grants from other Local Authorities	0
4	Contributions from other bodies	0
267	Section 106 Receipts	206
1,514	**TOTAL CAPITAL FUNDING**	**1,365**

A net contribution of £68,000 was set aside from revenue to finance capital expenditure in 2012/13 compared to a £50,000 contribution in 2011/12.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2013 amounts to £506,052 as listed below.

2011/12 £'000		2012/13 £'000
5	Contaminated Land	459
28	Waste Containers	0
69	Electronic Service Delivery	40
42	Longmead Depot Lighting	0
28	Other	7
172	**TOTAL CAPITAL COMMITMENTS**	**506**

Disposals

The Council disposed of Ewell High Street Public Conveniences in 2012/13. There were no disposals in 2011/12.

Assets Under Construction

Assets under construction are valued on the basis of those costs incurred up to 31 March and are held as non operational assets until the asset becomes available for use. At that point it is transferred to the appropriate asset class on the Balance Sheet depending on its use or nature.

There are no assets under construction held in the balance sheet for 2012/13. (£105,000 in 2011/12)

Epsom and Ewell Borough Council
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Movements on Non current assets – Property, Plant & Equipment 2012/13

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construc-tion £'000	Surplus Assets £'000	Totals £'000
Gross Book Carrying Value as at 1st April 2012	**55,847**	**7,712**	**41**	**3,659**	**105**	**0**	**67,364**
Additions	395	405	0	0	0	0	**800**
Revaluation movement recognised in the Revaluation Reserve	714	2,064	0	17	0	0	**2,795**
Derecognition - disposals	(195)	(539)	0	0	0	0	**(734)**
Derecognition - other	(860)	(237)	0	0	0	0	**(1,097)**
Assets reclassified	190	105	0	(190)	(105)	0	**0**
Gross Book Carrying Value at 31 March 2013	**56,091**	**9,510**	**41**	**3,486**	**0**	**0**	**69,128**
Accumulated Impairment & Depreciation as at 1st April 2012	**(10,387)**	**(3,051)**	**0**	**(13)**	**0**	**0**	**(13,451)**
Depreciation charge for the year	(1,410)	(1,211)	0	0	0	0	**(2,621)**
Impairment Losses(reversals) recognised in the Surplus/Deficit on the Provision of Service	(316)	(23)	0	0	0	0	**(339)**
Derecognition - disposals	29	243	0	0	0	0	**272**
Derecognition - other	837	452	0	0	0	0	**1,289**
Accumulated Impairment & Depreciation as at 31st March 2013	**(11,247)**	**(3,590)**	**0**	**(13)**	**0**	**0**	**(14,850)**
TOTAL NET CARRYING BOOK VALUE at 31st March 2013	**44,844**	**5,920**	**41**	**3,473**	**0**	**0**	**54,278**
TOTAL NET CARRYING BOOK VALUE at 1st April 2012	**45,460**	**4,661**	**41**	**3,646**	**105**	**0**	**53,913**

Epsom and Ewell Borough Council
Statement of Accounts 2012/13

Movements on Non current assets – Property, Plant & Equipment 2011/12

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construc-tion £'000	Surplus Assets £'000	Totals £'000
Gross Book Carrying Value as at 1st April 2011	**53,226**	**7,061**	**41**	**3,625**	**0**	**0**	**63,953**
Additions	231	739	0	36	105	0	**1,111**
Revaluation movement recognised in the Revaluation Reserve	4,402						**4,402**
Derecognition - disposals	(16)						**(16)**
Derecognition - other	(1,998)	(88)	0	0		0	**(2,086)**
Assets reclassified	2			(2)			**0**
Gross Book Carrying Value at 31 March 2012	**55,847**	**7,712**	**41**	**3,659**	**105**	**0**	**67,364**
Accumulated Impairment & Depreciation as at 1st April 2011	**(8,499)**	**(2,108)**	**0**	**0**	**0**	**0**	**(10,607)**
Depreciation charge for the year	(1,324)	(1,031)					**(2,355)**
Impairment Losses(reversals) recognised in the Surplus/Deficit on the Provision of Service	(2,562)	0		(13)			**(2,575)**
Derecognition - other	1,998	88					**2,086**
Accumulated Impairment & Depreciation as at 31st March 2012	**(10,387)**	**(3,051)**	**0**	**(13)**	**0**	**0**	**(13,451)**
TOTAL NET CARRYING BOOK VALUE at 31st March 2012	**45,460**	**4,661**	**41**	**3,646**	**105**	**0**	**53,913**
TOTAL NET CARRYING BOOK VALUE at 1st April 2011	**44,727**	**4,953**	**41**	**3,625**	**0**	**0**	**53,346**

Componentisation

When valuing the assets for the five-year rolling programme, the Valuer considered component accounting. There were significant components identified when revaluing The Rainbow Centre.

Revaluations

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

Analysis of Revaluations of Non current assets	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Community Assets £'000	Infrastructure Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Totals £'000
Carried at Historical cost	0	5,920	3,473	41	0	0	**9,434**
Valued at fair value as at:							
31 March 2013:	13,064				0	0	**13,064**
31 March 2012:	18,300				0	0	**18,300**
31 March 2011:	944				0	0	**944**
31 March 2010	12,536				0	0	**12,536**
31 March 2009	0				0	0	**0**
Value at 31 March 2013	**44,844**	**5,920**	**3,473**	**41**	**0**	**0**	**54,278**

Details of the Council's main property assets at 31 March 2013 are summarised below:

2011/12		2012/13
2	Community and Day Centres	2
1	Leisure Centres	1
1	Cemeteries	1
1	Public Conveniences	1
1	Depots	1
1	Theatres	1
2	Public Halls	2
1	Administrative Buildings	1
46	Non-Operational Properties	46
3	Staff Housing	3
2,641	Open Space (acres)	2,641
11	Car Parks	11
1	Ebbisham Centre	1

Note 29: Investment Properties

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

2011/12 £'000		2012/13 £'000
1,266	Rental income from investment property	1,434
(128)	Direct operating expenses arising from investment property	(119)
1,138	**Net gain/(loss)**	**1,315**

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

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

2011/12 £'000		2012/13 £'000
17,570	**Balance at the start of the year**	**18,163**
	Additions	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	96
0	Other	0
0	**Disposals**	(25)
593	**Net gains/(losses) from fair value adjustments**	171
	Transfers	
0	to/from inventories	0
0	to/from Property, plant and equipment	0
0	**Other Changes**	26
18,163	**Balance at the Year End**	**18,431**

Note 30: Intangible Assets

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

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £46,731 charged to revenue in 2012/13 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2011/12			2012/13		
	Internally Generated Assets £'000	**Other Assets £'000**	**Total £'000**	**Internally Generated Assets £'000**	**Other Assets £'000**	**Total £'000**
Balance at the start of the year						
Gross carrying amounts	0	314	314	0	349	349
Accumulated amortisation	0	(177)	(177)	0	(241)	(241)
Net carrying amount at the start of the year	**0**	**137**	**137**	**0**	**108**	**108**
Additions						
Internal development	0	0	0	0	0	0
Purchases	0	35	35	0	129	129
Amortisation for the period	0	(64)	(64)	0	(47)	(47)
Other changes	0	0	0	0	0	0
Net carrying value at the end of the year	**0**	**108**	**108**	**0**	**190**	**190**
Comprising						
Gross carrying amounts	0	349	349	0	478	478
Accumulated amortisation	0	(241)	(241)	0	(288)	(288)
	0	**108**	**108**	**0**	**190**	**190**

Note 31: Long Term Debtors

Long term debtors due at 31 March 2013 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.

2011/12 £'000		2012/13 £'000
5	Mortgages	4
0	Staff car loans	11
5	**Total**	**15**

Note 32: Debtors

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

2011/12 £'000		2012/13 £'000
2,312	Central government bodies	1,458
6	Other Local Authorities	2
75	Council Tax Payers	65
1,586	Other Entities and individuals	2,592
3,979	**Total Debtors**	**4,117**

Note 33: Inventories

A summary of the inventories held at 31 March 2013 is detailed below. The Council had no works in progress in 2011/12 or 2012/13.

2011/12 £'000	Consumable Stores	2012/13 £'000
12	Balance outstanding at start of year	13
3	Purchases	12
(2)	Recognised as an expense in year	(3)
13	**Total**	**22**

Note 34: Creditors

A summary of creditors is detailed below.

2011/12 £'000		2012/13 £'000
656	Central Government Bodies	1676
57	Other Local Authorities	456
74	Council Tax	66
5,991	Other Entities and individuals	4,761
6,778	**Total**	**6,959**

Note 35: Analysis of Net Assets Employed

In 2012/13 the net assets employed by Epsom and Ewell Borough Council was £62,648k (£64,054k in 2011/12)

Note 36: Financial Values of Assets and Liabilities

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

2011/12		Revised			2012/13	
Long Term £'000	Current £'000	Long Term £'000	Current £'000		Long Term £'000	Current £'000
0	3,548	1,601	3,059	Financial liabilities at amortised cost	788	3,823
0	0	0	0	Financial liabilities at fair value through profit and loss	0	0
0	**3,548**	**1,601**	**3,059**	**Total Borrowings**	**788**	**3,823**
0	22,050	0	23,730	Loans and receivables	0	23,470
0	0	0	0	Available-for-sale financial assets	0	0
0	0	0	0	Unquoted equity investments at cost	0	0
0	**22,050**	**0**	**26,789**	**Total Investments**	**0**	**23,470**

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.

Note 37: Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total £'000
Interest income		399		399
Gains on de-recognition				
Interest and investment income	**0**	**399**	**0**	**399**
Gains or Loss on revaluation				
Net gain/(loss) for the year	**0**	**399**	**0**	**399**

Note 38: 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.

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks	Short Term: Minimum credit rating is A- Long Term: Minimum credit rating is AAA <u>Current Investments:</u> Bank of Scotland rated A NatWest rated A Active in sterling markets	£2.5m
Deposits with building societies	Minimum criteria: Building Societies assets must be more than £1bn	£2.5m
Deposits with money market funds	<u>Current Investments</u> RBS: rated AAA Deutche Bank: rated AAA	£2.5m

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £7,100,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

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

	Amount at 31 March 2013 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31-Mar-13 %	Estimated maximum exposure to default and un-collectability at 31 March 2013 £'000	Estimated maximum exposure at 31-Mar-12 £'000
	A	B	C	(A x C)	
Deposits with SWIP	12,369	0	0	0	0
Deutsche Bank	2,100	0	0	0	0
NatWest	2,500	0	0	0	0
Bank of Scotland	2,500	0	0	0	0
Customers	1,160	0.63%	16.84%	195	1,215

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, but of the £1m balance £317,000 is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-12 £'000		31-Mar-13 £'000
68	Less than three months	104
10	Three to Five months	87
152	More than Five Months	126
230	**Total**	**317**

Liquidity Risk

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

Market Risk

Interest rate risk

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

- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise

- investments at fixed rates – the fair value of the assets will fall.

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

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 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(206)
Impact on Surplus or Deficit on the Provision of Services	**(206)**
Decrease in fair value of fixed rate investment assets	(44)
Impact on Other Comprehensive Income and Expenditure.	**0**

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

Foreign exchange risk

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

There have been no changes to the method and approach for compiling the risk information for 2012/13 compared to 2011/12.

Note 39: Investments

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

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

31 March 2012 Cost and Market Valuation Restated £'000		31 March 2012 Cost and Market Valuation £'000
0	Balance B/F	2,500
2,500	Investment During the year	2,500
2,500	Balance C/F	5,000

Note 40: Cash and Cash Equivalents

31 March 2011 Restated £'000	31 March 2012 Restated £'000	Movement in Year £'000		31 March 2012 £'000	31 March 2013 £'000	Movement in Year £'000
0		0	Cash in Hand	0		
266	818	552	Cash at Bank	818	662	(156)
266	818	552		818	662	(156)
17,445	17,172	(273)	Current asset investments	17,172	14,469	(2,703)
			Long term investments			
17,445	17,172	(273)		17,172	14,469	(2,703)
17,711	**17,990**	**279**	**Net Funds / (Debt)**	**17,990**	**15,131**	**(2,859)**

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 an active market.

The Council had no net debt as at the 31 March 2013 or at any point during the year.

	As reported in 31/03/2012 £'000	Prior Year Adjustment £'000	Restated Balance 2011/12 £'000
Cash and Cash Equivalents	20,490	(2,500)	17,990
Short term Investments	0	2,500	2,500
Net Funds / (Debt)	**20,490**	**0**	**20,490**

There are no changes to the balances reported for these assets as at 1 April 2011

Note 41: Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements

These are accounting adjustments involve non cash movements and for the cash flow purposes need to be adjusted.

2011/12 Restated £'000	Details	2012/13 £'000
(4,843)	Charges for depreciation and impairment of non-current assets	(2,960)
593	Movements in the market value of Investment Properties	171
(64)	Amortisation of intangible assets	(46)
(64)	Revenue expenditure funded from capital under statute	(20)
(16)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	(272)
(12)	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0
315	Pension liability and related adjustment	327
3	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	41
(587)	Increase/(Decrease) in Debtors	138
(2,041)	(Increase)/Decrease in creditors	(180)
(2)	(Increase)/Decrease in Inventories	9
(28)	Other non-cash items	96
(6,746)	**Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements**	**(2,696)**

Note 42: Cashflow from Operating Activities include the following

These are revenue receipts and payments as part of the surplus or deficit on the comprehensive income and expenditure statement not part of the provision of services.

2011/12 £'000	Details	2012/13 £'000
(25)	Interest Received	(76)
181	Interest Paid	171
156		**95**

Note 43: Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

These are receipts and payments as part of the surplus or deficit on the comprehensive income and expenditure statement on the capital activities of the council such as non current assets purchases disposal capital grants etc

2011/12 £'000	Details	2012/13 £'000
0	Capital Grants credited to surplus or deficit on the provision of services	275
0	Proceeds from the sale of property plant and equipment, investment property and intangible assets	201
0		**476**

Note 44: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2011/12 Restated £'000	Details	2012/13 £'000
956	Purchase of assets	1,365
2,500	Purchase of Investments	2,500
(191)	Capital Grants Received (Gov't)	(992)
0	Receipts from sale of assets	(201)
(1,138)	Other receipts for investing activities	(129)
2,127		**2,543**

Note 45: Cashflow from Financing Activities

These are cash payments relating to finance the capital expenditure.

2011/12 £'000	Details	2012/13 £'000
702	Lease rentals	871
702		**871**

Note 46: Government Grants

This includes Revenue Support Grant, these grants are non-ring fenced general grants, no conditions on use are imposed.

2011/12 £'000		2012/13 £'000
745	Revenue Support Grant	56
130	Council Tax Freeze Grant	130
875	**Total**	**186**

Note 47: Other Government Grants Credited to Services

Other government grants received from the government credited to the services

2011/12 Restated £'000		2012/13 £'000
3,486	Council Tax Benefit	3,673
372	Benefit Admin Grant	355
140	Homelessness	250
18,474	Rent allowances- Housing Benefit and Rebate	19,509
360	Rent Allowances - Other	427
84	Election	- 18
49	Route Call	49
88	Business rate collection	87
108	New homes bonus grant	561
2	New burden Grant	65
24	Environmental stewardship	18
11	European single farm payment	11
24	Police and Community Safety	24
0	Enviornmental Health	6
0	High Street Innovation	100
0	Local Development Framework	34
0	Mortgage Rescue Funding	30
0	Right to Challenge	55
23,222		**25,236**

Note 48: Capital Grants and Contributions Receipts in advance

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

2011/12 £'000		2012/13 £'000
3,575	Other grants and Section 106 Contributions	3,322
3,575	**Total**	**3,322**

Note 49: Council Tax Collection Fund Adjustment Account

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

2011/12 £'000		2012/13 £'000
4	**Balance at the start of the year**	7
3	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	41
7	**Balance at the end of the year**	**48**

Note 50: Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Authority. Properties are valued on the basis set out in the Statement of Accounting Policies on pages 25 to 32. There are no assets included in the balance sheet where valuations have not been obtained. No transactions have occurred since Heritage Assets were introduced to the balance sheet on 1/4/2010.

	Art £'000	Civic Regalia £'000	Museum Collection £'000	Property £'000	Total £'000
Cost or Valuation at 1/4/11	**200**	**90**	**220**	**0**	**510**
Revaluation	0	0	0	0	0
Transfer from community assets				0	0
Cost or Valuation at 31/03/12	**200**	**90**	**220**	**0**	**510**

	Art £'000	Civic Regalia £'000	Museum Collection £'000	Property £'000	Total £'000
Cost or Valuation at 1/4/12	**200**	**90**	**220**	**0**	**510**
Additions	0	0	0	0	0
Revaluation	0	104	0	0	104
Disposals	0	0	0	0	0
Cost or Valuation at 31/03/13	**200**	**194**	**220**	**0**	**614**

Art, Civic Regalia and Museum Collection

The Authorities collection of art, civic regalia and museum pieces is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance values are updated every three years. The last valuations were carried out in November 2011 by Gareth Denham & Associates (Auctioneers). Items include two paintings, the Mayoral chains and mace, available to view at the Town hall by appointment (written requests only), and two statues located in Epsom Town Centre. Museum pieces can be viewed at the Bourne Hall Museum.

Property

The Authority one asset, the Watchtower on the Balance Sheet as a heritage asset. The valuation is based on historic value at £1.

Note 51: Contingent Liabilities

The Council has been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd of an interim payment due of £49,000 to partly meet the company's liability for asbestos induced mesothelioma claims. This liability has been charged to 2012/13 Comprehensive Income and Expenditure Statement. A further amount of up to £278,000 may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities. The Insurance Reserve includes an amount to cover any future claims.

The Council is in receipt of two claims for costs and at this time we are unable to judge the likely outcome, one is against a planning application and the other is in regards to damage caused to property by tree roots.

Note 52: Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Director of Finance John Turnbull on 28 September 2013. Events taking place after this date are not reflected in the financial statements or notes. There are no events after the balance sheet date which would materially affect these financial statements.

Collection Fund Income and Expenditure Account for the year ended 31 March 2013

	2011/12 £'000	2012/13 £'000
Income :-		
Council Tax Income	(43,713)	(46,025)
Transfers from General Fund		
- Council Tax Benefits	(3,410)	(3,610)
Income Collectable from Non Domestic Ratepayers	(22,250)	(22,436)
	(69,373)	(72,071)
Expenditure :-		
Precepts and Demands		
Surrey County Council	35,536	36,980
Surrey Police Authority	6,320	6,546
Epsom & Ewell Borough Council	5,190	5,376
Distribution of prior year surplus on Collection Fund		
Surrey County Council	0	159
Surrey Police Authority	0	28
Epsom & Ewell Borough Council	0	23
Non Domestic Rates		
- Payments to National Pool	22,162	22,348
- Costs of Collection	88	87
Bad and Doubtful Debts		
- Write Offs	261	616
- Provisions	(208)	(462)
	69,349	71,701
Movement on Fund Balance	**(24)**	**(370)**
(Surplus)/Deficit brought forward	**(40)**	**(64)**
(Surplus)/Deficit Carried Forward at 31 March	**(64)**	**(434)**

This account reflects the statutory requirements for the Epsom and Ewell Borough Council, as the billing Authority, to maintain a separate Collection Fund. The Fund shows the transactions in relation to the Council Tax and Non-Domestic Rates, and sets out the way in which these have been distributed to the General Fund and the Surrey County Council and the police authority (the preceptors). The council tax is the means of raising income from local residents to pay for council services.

Notes to the Collection Fund Income and Expenditure

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

	Band	Total Properties For Band	Proportion To Band D	Relevant Amount for Band
	A	112.45	6/9th	74.97
	B	899.9	7/9th	699.92
	C	4,091.05	8/9th	3,636.49
	D	7,527.20	9/9th	7,527.20
	E	6,930.90	11/9th	8,471.10
	F	4,170.75	13/9th	6,024.42
	G	3,605.15	15/9th	6,008.58
	H	106.75	18/9th	213.5
Aggregate of Relevant Amounts				32,656.18
Estimated Collection				98.50%
Council Tax Base				32,166.34

Non-Domestic Rates Statistics

	2011/12 £,000	2012/13 £,000
Total Non-Domestic Rateable Value at year end	60,445	60,391
National Non-Domestic Rate Multiplier (Standard)	43.3	45.8
National Non-Domestic Rate Charged in year after allowing for reliefs and other deductions	22,582	22,784

Precepting Bodies

Epsom council as a billing autority collect the council tax and pass on the payments to the preceptors.

	2011/12 £,000	2012/13 £,000
Surrey County Council	35,536	37,139
Surrey Police	6,320	6,574
Epsom and Ewell Borough Council	5,190	5,399
Total Precepts on Collection Fund	**47,046**	**49,112**

Notes to the Collection Fund Income and Expenditure

Distribution of Council Tax Surplus

2011/12 £000		2012/13 £000
0	Surrey County Council	159
0	Surrey Police Authority	28
0	Epsom & Ewell Borough Council	23
0		210

Council Tax Provision for Bad Debts

2011/12 £000		2012/13 £000
475	Opening Balance	454
(21)	Increase/(Decrease) in Bad Debt Provision	(12)
454	Balance at Year End	442

Trust and other Funds as at 31 March 2013

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.

Trust Fund	2011/12 Capital Value of Fund £'000	2012/13 Capital Value of Fund £'000
Chuter Ede Used to assist university students resident in the Borough.	30	29
Other Funds Total Capital Value of other funds	22	22
Totals	**52**	**51**

Statement of Responsibilities

General

1. The accounts have been prepared in accordance with the provisions of the Code of Practice on Local Authority Accounting in The United Kingdom by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2012.

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

Responsibilities

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

The Borough Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Director of Finance;

- manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;

- approve and publish the Statement of Accounts by 30 September 2013.

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

4. The Director of Finance is to certify that the Financial Statements present a true and fair view of the Council by 30 June 2013.

5. In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;

- made reasonable and prudent judgements and estimates;

- complied with the Code of Practice.

6. The Director of Finance has also:

- kept proper and up to date accounting records;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Governance Statement

Scope of responsibility

1Epsom and Ewell Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Epsom and Ewell Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2.In discharging this overall responsibility, Epsom and Ewell Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

3.Epsom and Ewell Borough Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, “Delivering Good Governance in Local Government”. This statement explains how Epsom and Ewell has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011.

The purpose of the governance framework

4. The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Epsom and Ewell’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

6.The governance framework has been in place at Epsom and Ewell Borough Council for the year ended 31 March 2013 and up to the date of approval of the Annual Report and statement of accounts.

The governance framework
▪ A clear statement of the Council's purpose and vision is set out in its Corporate Plan – Making Epsom and Ewell, an excellent place to live and work. The Council's priorities for the next four years are set out in the Corporate Plan 2012-2016, which also documents the Council's role in working with its partners.
▪ The Council has six priorities for the Borough; these are Economic Vitality, Sustainability, Visual appearance, Quality of life, Safer and Stronger communities and Managing Resources. To achieve its Corporate Priorities, the Council sets service targets that are revised annually.
▪ The behaviour of Councillors is regulated through the Code of Conduct supported by a number of protocols.
▪ The Council's has adopted a code of conduct for members and co-opted members and has in place arrangements to meet the requirements under section 27 of the Localism Act.
▪ 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 Framework covers strategic risk management, to identify corporate risks, assess the risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls.
▪ The Council maintains and reviews a Leadership Risk Register and risks contained in the Annual Service Plans. 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 Whistleblowing Policy for investigating complaints from members of the public and established anti-fraud and corruption arrangements.
▪ The Monitoring Officer has a legal obligation duty to ensure the lawfulness and fairness of decision-making.
▪ The Council has in place a Corporate Equality Scheme 2011–2016 to meet the Council's statutory duties to make sure all services and activities are available to all those in the Borough.
▪ The Customer Charter sets out standards of services that residents can expect to receive.
▪ The Council has approved a Team Strategy which forms part of the corporate framework for the delivery of people management aims and objectives and has IIP accreditation.
▪ The Council has in place a robust performance management framework that is key to identifying service improvement and providing good quality services. The Corporate Management Board receives monthly reports and quarterly reports. Policy committees receive performance management reports monitoring progress against annual service plans. The Scrutiny Committee monitors indicators not met. The performance management framework incorporates risk analysis reviewing any issues that may prevent an action being achieved.
▪ The Council's Communications Strategy 2010-2015 includes consultation with residents and other stakeholders.
▪ The Council's Consultation Strategy 2010-2015 which support's the Council's in its duty to provide information, consult and involve the community.
▪ The Council continues to develop a range of partnership arrangements and has reviewed the corporate governance arrangements for priority partnerships.
▪ The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

Review of effectiveness

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

- In its terms of reference the Scrutiny Committee fulfills the role of an Audit Committee. The terms of reference state that they "monitor implementation of recommendations from external and internal audit".
- The Head of Internal Audit reports to the Director of Finance, but in order to ensure independence has direct access to the Chief Executive, Monitoring Officer and the Scrutiny Committee. The Head of Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control, which is included in the Internal Audit Annual Report to the Scrutiny Committee. For 2012/13 Internal Audit concluded that they are satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion on the adequacy and effectiveness of Epsom and Ewell Borough Council's arrangements.
- The Corporate Management Board, made up of the Chief Executive and the Directors, meets weekly to discuss matters which are of strategic and operational importance to the Council.
- The updated Risk Management Framework was reported to the Scrutiny Committee in November 2012, who are responsible for monitoring and reviewing the Council's risk management arrangements

- 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.

- 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:

1. The work of managers within the Council;
2. The work of the Internal Audit ;
3. The work of Corporate Risk Group;
4. Performance Management Information; and
5. 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 Management Board 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 2012/13
1	Managing the impact of public sector spending cuts: The Local Government Finance Settlement was announced in January 2013 and central government core funding for EEBC is reducing by £698,000 over two years (2013/14 & 2014/15). A further government spending announcement is due in June 2013, with further spending cuts anticipated.	Continue to develop and implement the cost reduction plan as part of annual budget review. Update financial forecasts to reflect estimates of resource changes under Local Government Finance Act 2012
2	Resource Management: Public sector funding reductions affecting organisational capacity to deliver corporate projects	Update HR Strategy to address staff resilience issues. Review project management arrangements for resourcing, monitoring and reporting on key projects
3	Managing the impact of economic recession and welfare reforms on Council services.	Enhanced monitoring of affordable housing programme, use of temporary accommodation and benefits workloads. Implementing housing needs initiatives. Developing welfare strategies with partner organisations.

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

Neil Dallen
Chairman of Strategy and Resources Committee
26/09/2013

Frances Rutter
Chief Executive
26/09/2013

Glossary of financial terms and abbreviations

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

FINANCIAL TERMS

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPSOM & EWELL BOROUGH COUNCIL

Opinion on the Authority financial statements

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

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

Respective responsibilities of the Director of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Epsom & Ewell Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

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

Certificate

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

Christian Heeger, Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Explorer House
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Crawley
RH10 9GT

26-Sep-13