



Audited Statement of Accounts

2014/15

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Certificate of the Director of Finance and Resources

I certify that the statement of accounts for the financial year 2014/15 set out on pages 5 to 74 attached, presents a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Kathryn Beldon (CPFA)
Director of Finance and Resources

Date: 29/09/2015

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.

Following a decluttering exercise with external audit the Statement of Accounts for 2014/15 are presented in a different format to 13/14. The order of the notes has been changed to better match the format and layout recommended by CIPFA.

The Council's accounts for the year 2014/15 are set out on pages 5 to 71 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 2015 and consist of the following:

The Council's General Fund balance stands at £3.3m as at 31 March 2015, after contributions to strategic earmarked reserves of £38k for 2014/15. The Council's financial health has been maintained over 2014/15 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 economic risks and continuing uncertainty around Local Government funding.

At the end of 2014/15 the Council reviewed its Senior Management structure. The outcome of the review resulted in two senior officer posts being made redundant and a reallocation of responsibilities within the Senior Management Team. The change to roles within the management team took effect from the 1st April 2015, however, redundancy costs for the deleted posts were charged into 2014/15 (see note 25).

The Council has 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 £0.5m to 31 March 2016.

Current Economic Climate

The economic crisis 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 2014/15 budget the Council factored in the recent economic upturn along with the risk of continuing uncertainty around 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 favourable when compared to 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 Council earns on investing any surplus fund makes a significant contribution to limiting increases in Council Tax. Budgeted interest on balances has fallen from £1,037,000 in 2008/09 to £207,000 in 2014/15 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.

The accounts detail four main statements:

- Movements in Reserve Statement (MIRS)
- Comprehensive Income and Expenditure Statement (CIES)
- Balance Sheet (BS)
- Cash Flow Statement (CFS)

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

In addition to the above, accounts have been included for:

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

2. Budget Performance 2014/15 - Council Tax Accounts

Total requirements were £1,581.21 per Band D property. This comprised £1,195.83 for Surrey County Council, £211.68 for Surrey Police and £173.70 for Epsom and Ewell Borough Council. The demand by the Council was determined after taking account of budgeted income from Business Rates of £1.1 million and Revenue Support Grant of £1.4 million. The resultant demand on the Collection Fund amounted to £5.4 million.

The Council achieved a council tax collection rate of 99.1% (98.7% in 2013/14). Outstanding council tax arrears remain subject to recovery action until such times as these sums are fully paid or written off.

Since April 2013, the basis for the distribution of Business Rates (NNDR) income is shared as follows – 50% paid to central government, 10% is paid to major precepting authorities (but not police authorities) with 40% being retained by billing authorities. In turn, the Central Government have determined a tariff payment for billing authorities with a safety net to allow for minimum income from business rates and a 50% levy (to be paid to Central Government) where net income exceeds a base line. Within these arrangements, local authorities must bear a proportion of adjustments to previous years' income where ratepayers have successfully reduced their rate bills (most commonly by challenging their rateable values). Most councils have set up a 'provision for appeals' to minimise the impact of these adjustments on their budget in future years. For this Council, the budget for 2014/15 for business rates is £1.1m, the overrun is £1.2m and as a result the Council will make a levy payment of £59,000.

3. General Fund Revenue Account

The Council's estimated budget requirement (net spend on services) reduced by 5.19% for 2014/15 compared to 2013/14, with the Council's estimated council tax requirement increased by £328,000 (6.2%). Net expenditure 2014/15 by Committee and by subjective analysis is overleaf.

2013/14	Committee	2014/15			
Actual £'000		Original Budget £'000	Actual £'000	CIES Funding (see below) £'000	Variance* £'000
2,234	Strategy and Resources Committee	1,839	1,881	(699)	(657)
2,568	Environment Committee	2,744	2,860	0	116
2,090	Social Committee	2,308	3,122	0	814
3,134	Leisure Committee	3,226	3,802	0	576
(1,761)	Asset Rent Landlord Account	(2,083)	(2,894)	0	(811)
8,265	TOTAL	8,034	8,771	(699)	38

The change in accounting treatment of the following three grants received by the Council contributed towards the cost of services:

New Homes Bonus Grant	(483)
Business Rate Collection Grants	(200)
New Burden Grants	(16)
Total	(699)

The three grants above were previously credited directly to cost of services and included in the actuals column above. Due to the grants now being classified as 'unringfenced' they are treated differently in our accounts and will form part of our overall funding of services (see note 10)

2013/14	Subjective Description	2014/15			
Actual £'000		Original Budget £'000	Actual £'000	CIES Funding (see above) £'000	Variance* £'000
11,373	Employees	11,107	11,945	0	838
3,916	Premises related expenses	3,752	4,428	0	676
5,598	Supplies and services	5,309	5,803	0	494
540	Third Party payments	693	473	0	(220)
21,344	Transfer payments	19,056	21,261	0	2,205
1,608	Transport related expenses	1,631	1,653	0	22
(36,114)	Income	(33,514)	(36,792)	(699)	(3,977)
8,265	TOTAL	8,034	8,771	(699)	38

* Individual Committee variations include changes to internal recharges.

4. Contributions To / From Strategic Revenue Reserves

Included in Committee Actuals is a net contribution of £38k to Strategic Revenue Reserves in 2014/15 (compared to a net contribution of £1.054m in 2013/14).

Net expenditure for the year was £38k more than the original estimate, which represents an adverse variation of 0.47% against the Council's net budget requirement.

The Council has a policy of maintaining a prudent General Fund balance to provide for unforeseen requirements.

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 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. The Council spent £3,485,000 on capital schemes in 2014/15. A summary of expenditure by committee is shown below and the sources of funding.

2013/14 Actual £'000		2014/15		
		Original Budget £'000	Actual £'000	Variance £'000
319	Strategy and Resources	454	368	(86)
74	Environment Committee	93	238	145
1,259	Social Committee	980	2,035	1,055
353	Leisure Committee	150	787	637
2,005	TOTAL	1,677	3,428	1,751
94	Capital expenditure financed from revenue		57	
2,099	TOTAL CAPITAL EXPENDITURE		3,485	

2013/14 £'000		2014/15 £'000
496	Capital Receipts	612
1,509	External Contributions	2,816
2,005	TOTAL	3,428
94	Revenue Contribution	57
2,099	TOTAL	3,485

The Council generated £10,000 of net capital receipts during the year. The balance of the Council's usable capital reserves at 31 March 2015 is £4,082,000 (compared to £4,714,000 at 31 March 2014).

6. Pension Liability

The balance of the Council's pension liability as at 31 March 2015 is £31.1m (compared to £28.1 million at the 31 March 2014). This is an increase of £3m in the year. See note 29 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 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.

7. Further Information

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

Movement in Reserves statement for the year ended 31 March 2015

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.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	(3,230)	(5,867)	(4,689)	(10)	(13,796)	(48,956)	(62,752)
Movement in Reserves During 2013/14							
(Surplus) or Deficit on the Provision of Services	1,539				1,539		1,539
Other Comprehensive Income and Expenditure					0	(131)	(131)
Total Comprehensive Income and Expenditure	1,539	0	0	0	1,539	(131)	1,408
Adjustments Between Accounting Basis & Funding Basis Under Regulations	(2,780)		(25)	10	(2,795)	2,795	0
Transfers to/from Earmarked Reserves	1,054	(1,054)			0		0
(Increase) /Decrease in 2013/14	(187)	(1,054)	(25)	10	(1,256)	2,664	1,408
Balance at 31 March 2014	(3,417)	(6,921)	(4,714)	0	(15,052)	(46,292)	(61,344)
Movement in Reserves During 2014/15							
(Surplus) or Deficit on the Provision of Services	(2,923)				(2,923)		(2,923)
Other Comprehensive Income and Expenditure						(5,132)	(5,132)
Total Comprehensive Income and Expenditure	(2,923)				(2,923)	(5,132)	(8,055)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2,969		632		3,601	(3,601)	0
Transfers to/from Earmarked Reserves	38	(38)			0		0
(Increase) /Decrease in 2014/15	84	(38)	632	0	678	(8,733)	(8,055)
Balance at 31 March 2015	(3,333)	(6,959)	(4,082)	0	(14,374)	(55,025)	(69,399)

Movement in reserves are broken down in further detail in note 19.

Comprehensive Income and Expenditure Statement (CIES) for Year Ended 31 March 2015

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.

2013/14 RESTATED				2014/15			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,604	(841)	763	Central Services		1,663	(573)	1,090
7,468	(2,417)	5,051	Cultural and Related services		5,540	(2,365)	3,175
5,472	(2,924)	2,548	Environmental and Regulatory Services		5,412	(2,636)	2,776
1,473	(729)	744	Planning Services		1,630	(1,474)	156
2,773	(3,444)	(671)	Highways,Roads and Transport Services		1,421	(3,923)	(2,502)
24,315	(22,817)	1,498	Housing Services		26,046	(23,230)	2,816
2,020	(1,060)	960	Social Services		1,718	(910)	808
1,673	(711)	962	Corporate & Democratic Core		1,544	(1,159)	385
490	(54)	436	Non Distributed Costs		563	(215)	348
47,288	(34,997)	12,291	Cost of Services		45,537	(36,485)	9,052
	(510)		Other Operating Expenditure	8			(6)
	(1,071)		Financing and investment Income and Expenditure	9			(2,580)
	(9,171)		Taxation and Non-Specific Grant Income	10			(9,389)
	1,539		(Surplus) or Deficit on Provision of Services				(2,923)
	(3,755)		(Surplus)/Deficit on Revaluation of PPE Assets	19			(7,003)
	3,624		Remeasurement of net Defined Benefit / Liability	29			1,871
	(131)		Other Comprehensive Income and Expenditure				(5,132)
	1,408		Total Comprehensive Income and Expenditure				(8,055)

Balance Sheet as at 31 March 2015

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'.

2013/14 £'000		Note	2014/15 £'000
	Long-term Assets		
55,323	Total Property, Plant and Equipment	12	64,637
19,487	Investment Properties	13	21,066
654	Heritage Assets	n/a	722
260	Intangible Assets	14	332
33	Long Term Debtors	16	5
75,757	Total Long-term Assets		86,762
	Current Assets		
71	Inventories	n/a	22
5,435	Short-term Debtors	16	5,237
0	Short-term Investments	n/a	0
20,330	Cash and Cash Equivalents	17	21,380
25,836	Total Current Assets		26,639
	Current Liabilities		
7,545	Short-term Creditors	18	8,744
561	Lease Liability - Within One year	28	277
8,106	Total Current liabilities		9,021
	Long-term Liabilities		
28,088	Liability Related to Defined Benefit Pension Schemes	29	31,084
3,208	Capital Grants Receipts in Advance	11	3,164
527	Long-term Provisions	n/a	512
320	Deferred Liabilities	n/a	221
32,143	Total Long-term Liabilities		34,981
61,344	NET ASSETS		69,399
	TOTAL RESERVES		
(15,052)	Usable Reserves		(14,374)
(46,292)	Unusable Reserves		(55,025)
(61,344)	Total Reserves		(69,399)

2013/14 £'000	Balances and Reserves	Note	2014/15 £'000
	Usable Reserves		
(3,417)	General Fund	19	(3,333)
(6,921)	Earmarked Reserves	19	(6,959)
(4,714)	Capital Receipts Reserve	19	(4,082)
0	Capital Grants Unapplied	n/a	0
(15,052)	Total Usable Reserves		(14,374)
	Unusable reserves		
(20,640)	Revaluation Reserve	19	(27,643)
(54,365)	Capital Adjustment Account	19	(58,779)
(57)	Collection Fund Adjustment Account	19/31	(91)
682	NNDR Adjustment Account	19/31	404
28,088	Pensions Reserve	29	31,084
(46,292)	Total Unusable Reserves		(55,025)
(61,344)	TOTAL RESERVES		(69,399)

Cash Flow Statement as at 31 March 2015

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.

2013/14 £'000		Note	2014/15 £'000
1,539	Net (Surplus) or Deficit on the Provision of Services	CIES	(2,923)
(2,823)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements	20	(4,179)
1,303	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	20	1,328
19	Net cash flows from Operating Activities		(5,774)
(5,753)	Net cash outflow / (inflow) from Investing Activities	21	2,828
535	Net cash outflow / (inflow) from Financing Activities	22	1,896
(5,199)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		(1,050)
15,131	Cash and Cash Equivalents at the Beginning of the Period		20,330
5,199	Net Increase in Cash and Cash Equivalents		1,050
20,330	Cash and Cash Equivalents at the End of the Reporting Period	17	21,380

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 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the SeRCOP (Service Reporting Code of Practice - Service Expenditure Analysis) 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 'Local Government Act 2003'. 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.

The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

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 2015 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 2015, 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/overtime carried forward from previous year is not accrued unless material.

4. 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.

5. 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 former employees who 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 pension 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 3.1% (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; and
 - 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. Net interest on the net defined benefit liability: 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. Remeasurement on the return of plan 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: 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. Remeasurement of net defined benefit / liability: 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 Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

Changes in IAS19, effective from April 2013, are reflected in these accounts.

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.

6. 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 will be authorised by the Director of Finance and Resources on 30 September 2015 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

7. Financial Instruments

Financial Instruments are detailed in Note 15 of these accounts.

8. 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.

9. 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.

10. 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.

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

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.

11. 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 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 past service costs with 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.

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

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 as 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 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 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). Depreciation is calculated on the following bases:

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

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 (Componentisation).

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.

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.

13. Heritage Assets

The Council is required to separately identify Heritage Assets on its Balance Sheet. Heritage Assets can be tangible or intangible and are defined as assets with historical, cultural, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture

Recognition

The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. If the cost of obtaining a valuation is assessed as being disproportionate to the benefit of the user the existence of the asset will be disclosed in the notes to the accounts along with relevant information. The de-minimis levels applied to all Non-Current Assets will be applied to this asset class. Heritage Assets that do not meet the de-minimis criteria are disclosed in the Council's accounts.

Where a Heritage Asset is operational this will be treated as Property, Plant and Equipment (PPE) rather than as a Heritage Asset.

Measurement

Heritage Assets will be valued in line with the existing policies for Property, Plant and Equipment. Where Heritage Assets do not fall into this category they will be valued in line with the Insurance valuation. All Heritage Assets will be revalued as a minimum every 3 years. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised in accordance with the Authority's policies on impairment. Heritage Assets with an indefinite life will not be subject to annual depreciation.

14. Provisions and Contingent Liabilities

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: See note 30

15. 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.

16. 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.

17. Collection Fund

The 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. Also, since April

2013, the Council collects and distributes business rates income (NNDR) on behalf of the major preceptors, itself and central government.

- 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 code, although in practice the difference would usually be small.

The Code requires that council tax income is included in the Comprehensive Income and Expenditure Statement to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council. Council tax and NNDR income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year.

For the billing authority the difference between the income included in the Comprehensive Income and Expenditure Statement 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. See note 32 for the Collection Fund Statement for financial year 14/15.

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

19. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government Grants, 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 are required to be consumed by the recipient as specified, or else future economic benefits/service potential must be returned.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors / receipts in advance. 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-ringfenced 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 applied.

Grants that can't be directly allocated to a service are credited to Taxation and Non-Specific Grants.

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.

Note 2: Accounting Standards that have been issued but have not yet been adopted

The following accounting policy changes are not yet reflected in the 2014-15 IFRS Code:

- IFRS 1: Meaning of effective IFRSs
- IFRS 13: Fair Value Measurement (May 2011) - adoption has been deferred to 2015/16 at the earliest and, therefore, does not need to be reported this year

Note 3: 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 2013/14 financial statements the Council has a de-minimis 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 2014/15 is £127,129 (£111,456 for 2013/14). This exception is taken due to the amount being immaterial to the accounts and the year on year difference never being greater than the £20,000 de-minimis (eg £127k less £111k).

When classifying assets the Council has interpreted the Code of Practice relating to transfers out of and in to Investment Properties. As a result the Clocktower has remained an Investment Property instead of transfer into a Heritage asset.

Property, Plant and Equipment assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but, as a minimum, at least once every five years. At each year end, a review is undertaken by the Council's valuer to determine whether the carrying amount of these assets is consistent with their fair value. At 31 March 2015, there was evidence to suggest that the carrying amount of operational buildings were materially different from their fair value. The carrying amount was therefore uplifted by applying an indexation increase. The impact of applying these indexation increases was to increase the carrying value of operational buildings by £5.484m.

Note 4: Assumptions made about the future and other major sources of estimation uncertainty

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 2015 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 £64.6 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 and valuation assumptions, including estimates of remaining useful life. 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 £87k for every year that useful lives had to be reduced.
Pension Liability (£31.084) 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 of 9% in the employer liability and an increase of approximate monetary amount of £8m.
Bad Debt Provision (£0.2) 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 irrecoverable debts after all reasonable steps have been taken.	Council debt does not fluctuate heavily, however, officers have increased time to chase debtors to reduce the debts. We assess the bad debts annually and will if necessary increase the impairments and write off to CIES. For example, a 1% increase in the provision would result in an increase of £1,950 in deficit.

Note 5: Material Items of Income and Expenditure

There are no material items of income and expenditure that are not detailed in the notes below.

Note 6: Events after the Balance Sheet Date

No events that have a material effect on the financial statement for the year ended 2014/15.

Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The note on the following page sets out a description of the reserves that the adjustments are made against.

2014/15	Usable		Unusable
	General Fund Balance Including Ear marked Reserves	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Balance Brought Forward	10,338	4,714	46,292
Surplus / (Deficit) for the Year	2,923		5,132
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	705		(705)
Movements in the Market Value of Investment Properties	(1,569)		1,569
Amortisation of Intangible Assets	90		(90)
Capital Grants and Contributions Applied	(1,122)		1,122
Revenue Expenditure Funded from Capital Under Statute (see note 19)			
Amounts of Non-Current Assets Written off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive I&E	5		(5)
Insertion of Items not Debited or Credited to the C I&E			
Statutory Provision for the Financing of Capital Investment Lease MRP	(605)		605
Capital Expenditure Charged Against the General Fund	(1,275)		1,275
Adjustments Primarily Involving the Capital Grants Unapplied Account:			
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account			
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	(10)	10	
Use of the Capital Receipts Reserve to Finance New Capital Expenditure		(642)	642
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 29)	2,893		(2,893)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(1,768)		1,768
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	(313)		313
Other Adjustments			
Total Adjustments	(2,969)	(632)	3,601
Balance Carried Forward	10,292	4,082	55,025

2013/14	Usable			Unusable
	General Fund Balance Including Ear marked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Balance Brought Forward	9,097	4,689	10	48,956
Surplus / (Deficit) for the Year	(1,539)			131
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	3,373			(3,373)
Movements in the Market Value of Investment Properties	(1,054)			1,054
Amortisation of Intangible Assets	58			(58)
Capital Grants and Contributions Applied	(236)			236
Revenue Expenditure Funded from Capital Under Statute (see note 19)	83			(83)
Amounts of Non-Current Assets Written off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive I&E	11			(11)
Insertion of Items not Debited or Credited to the C I&E				
Statutory Provision for the Financing of Capital Investment Lease MRP	(535)			535
Capital Expenditure Charged Against the General Fund	(94)			94
Adjustments Primarily Involving the Capital Grants Unapplied Account:				
Application of Grants to Capital Financing Transferred to the Capital Adjustment Account			(10)	10
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	(532)	532		
Use of the Capital Receipts Reserve to Finance New Capital Expenditure		(497)		497
Contribution from the Capital Receipts Reserve Towards Administrative Costs of Non-Current Asset Disposals	10	(10)		
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 29)	2,613			(2,613)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(1,590)			1,590
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	(9)			9
Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from NNDR Income Calculated for the Year in Accordance with Statutory Requirements	682			(682)
Total Adjustments	2,780	25	(10)	(2,795)
Balance Carried Forward	10,338	4,714	0	46,292

Note 8: Other Operating expenditure in CIES note

2013/14 £'000		2014/15 £'000
(510)	(Gains) /Losses on the Disposal of Non-Current Assets	(6)
(510)	Total	(6)

Note 9: Financing and Investment Income and Expenditure in CIES note

2013/14 £'000		2014/15 £'000
114	Interest Payable and Similar Charges - Finance Lease	79
1,057	Net Interest on the Net Defined Benefit Liability	1,154
(1,054)	Movement in Investment Properties	(1,569)
(968)	Other Income	(2,050)
(220)	Interest Receivable and Similar Income	(194)
(1,071)	Total	(2,580)

Note 10: Taxation and Non Specific Grant Income in CIES note

The Council receives annual revenue grants and contributions that are non-ring fenced; no conditions on use are imposed:

2013/14 £'000 RESTATED		2014/15 £'000
(5,312)	Council Tax Income	(5,455)
(956)	Non Domestic Rates	(775)
(1,864)	Revenue Support Grant (incl Council tax Freeze Grant)	(1,436)
(467)	New Homes Bonus Grant *	(483)
(88)	Business Rate Collection Grants	(200)
(191)	NNDR- Small Business Rate Relief Grant	(193)
0	Localism Relief Grant	(178)
(236)	Capital Grants and Contributions	(503)
0	Other Grants and Contributions	(150)
(57)	New Burden Grants	(16)
(9,171)	Total	(9,389)

*The total New Homes Bonus received in year was £1.552m, however, only £483k was credited to services in 14/15 with the remaining being transferred to the Corporate Project Reserve. Further ringfenced grants are detailed below in Note 11.

Note 11: Other Government Grants Credited to Services

In addition to Taxation and Non Specific Grant Income in Note 10 the following significant grants, contributions and donations were credited to Cost of Service in the Comprehensive Income and Expenditure Account:

2013/14 £'000		2014/15 £'000
0	Council Tax Support	(117)
(327)	Benefit Admin Grant	(244)
(20,639)	Rent Allowances- Housing Benefit and Rebate	(20,216)
(10)	Election	(143)
(49)	Route Call	(55)
0	Home Improvement Agency	(52)
0	Public-Private Partnership Funding	(181)
(75)	Other Smaller Grants	(193)
(21,100)	Total	(21,201)

Capital Grants and Contributions Receipts in advance

These are grants held that were received in advance or where the Council did not satisfy the condition attached to the grant but will be meet the conditions in the future.

2013/14 £'000		2014/15 £'000
(3,208)	Other grants and Section 106 Contributions	(3,164)
(3,208)	Total	(3,164)

Note 12: Property, Plant and Equipment

Property, Plant and Equipment Valuation

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. The Code of Practice requires that items within a class of property, plant and equipment are revalued simultaneously. With that in mind the Council has moved to a valuation programme that concentrates on categories of assets, whilst maintaining the five year rolling programme. As a result, in 2014/15, all of the Council's Car Parks were valued as at 1st April 2015. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors. At 31st March 2015, the fair value of the assets not valued in year was reviewed using information provided by the Council's valuers. The properties revalued in 2014/15 account for £51 million of the net book value of assets at 31 March 2015.

Infrastructure, community assets and assets under construction are held at historical value and have not been formally re-valued.

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 three assets in 2014/15.

Depreciation

Assets are depreciated in accordance with the requirements of IAS 16 and IAS 36. The following useful lives have been used in the calculation of depreciation:

- Other Land and Buildings – 11 to 60 years
- Vehicles, plant and equipment – 4 to 35 years

Movement on Non-current Assets Statement.

On reviewing the Statement of Movement of Non-current Assets, it was decided to show the depreciation written off to the Revaluation Reserve in the bottom half of the statement in line with the Code of Practice. This has led to a restatement of the 2013/14 Movement on Non-current asset Statement, moving £1,561m from the 'Revaluation movement recognised in the Revaluation Reserve' line in the Gross Book balances, to the 'Depreciation written out to the Revaluation Reserve' line in the Accumulated Impairment & Depreciation balances.

Movements on Non current assets – Property, Plant & Equipment 2014/15

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Totals £'000
Gross Book Carrying Value as at 1st April 2014	58,915	7,397	41	3,204	0	69,557
Additions	162	451	0	126	2,349	3,088
Revaluation Movement Recognised in the Revaluation Reserve	2,425	0	0	0	0	2,425
Derecognition - Disposals	0	(327)	0	0	0	(327)
Assets Reclassified	0	0	0	0	0	0
Gross Book Carrying Value at 31 March 2015	61,502	7,521	41	3,330	2,349	74,743
Accumulated Impairment & Depreciation as at 1st April 2014	(11,156)	(2,321)	0	(757)	0	(14,234)
Depreciation Charge for the Year	(1,729)	(1,165)	0	0	0	(2,894)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	2,189	0	0	0	0	2,189
	460	(1,165)	0	0	0	(705)
Depreciation Written out to the Revaluation Reserve	4,510	0	0	0	0	4,510
Derecognition - Other	0	323	0	0	0	323
Accumulated Impairment & Depreciation as at 31st March 2015	(6,186)	(3,163)	0	(757)	0	(10,106)
TOTAL NET CARRYING BOOK VALUE at 31st March 2015	55,316	4,358	41	2,573	2,349	64,637
TOTAL NET CARRYING BOOK VALUE at 1st April 2014	47,759	5,076	41	2,447	0	55,323

Movements on Non current assets – Property, Plant & Equipment 2013/14

TANGIBLE NON CURRENT ASSETS	Restated - Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Totals £'000
Gross Book Carrying Value as at 1st April 2013	56,091	9,510	41	3,486	0	69,128
Additions	388	233	0	0	0	621
Revaluation Movement Recognised in the Revaluation Reserve	2,154	0	0	0	0	2,154
Derecognition - Disposals	0	(341)	0	0	0	(341)
Derecognition - Other	0	(2,005)	0	0	0	(2,005)
Assets Reclassified	282	0	0	(282)	0	0
Gross Book Carrying Value at 31 March 2014	58,915	7,397	41	3,204	0	69,557
Accumulated Impairment & Depreciation as at 1st April 2013	(11,247)	(3,590)	0	(13)	0	(14,850)
Depreciation Charge for the Year	(1,665)	(1,158)	0	0	0	(2,823)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	195	0	0	(744)	0	(549)
	(1,470)	(1,158)	0	(744)	0	(3,372)
Depreciation Written out to the Revaluation Reserve	1,561	0	0	0	0	1,561
Derecognition - Other	0	2,427	0	0	0	2,427
Accumulated Impairment & Depreciation as at 31st March 2014	(11,156)	(2,321)	0	(757)	0	(14,234)
TOTAL NET CARRYING BOOK VALUE at 31st March 2014	47,759	5,076	41	2,447	0	55,323

Capital Expenditure

Capital expenditure of £3,485,000 was incurred in 2014/15 as follows:

2013/14 £'000		2014/15 £'000
622	Non Current Assets - PPE	2,867
2	Investment Assets	10
128	Intangibles	163
1,347	Revenue Expenditure Funded from Capital Under Statute Written Off	445
2,099	Total Capital Expenditure	3,485

Funding of capital expenditure in 2014/15 is detailed below:

2013/14 £'000		2014/15 £'000
496	Capital Reserves	643
781	Government Grants	245
94	Revenue	1,275
55	Grants from Other Local Authorities	10
87	Contributions from Other bodies	619
586	Section 106 Receipts	693
2,099	Total Capital Funding	3,485

A net contribution of £1,275,000 was set aside from revenue to finance capital expenditure in 2014/15 compared to a £94,000 contribution in 2013/14.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2015 amounts to £1,481,000 as listed below.

2013/14 £'000		2014/15 £'000
69	Electronic Service Delivery	26
121	Car Park Barriers	12
36	Car Park Improvements	0
0	Further LED lighting repl-var sites	8
0	Town Hall - Replacement of Boilers	11
0	New Paths on Epsom Common	97
0	QEII Parks Improvements	116
0	Ewell Court House Rebuild (Fire)	1,201
12	Other	10
238	Total Capital Commitments	1,481

Disposals

There were no disposals in 2014/15.

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 were eight assets under construction held in the balance sheet for 2014/15 totalling £2,349,000. (Nil in 2013/14)

Componentisation

There were no significant components identified when revaluing assets in 2014/15.

Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair value is re-valued, under a rolling five year programme, by the Councils' property valuer Huggins, Edwards and Sharp. 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.

The timing and amounts of the valuations of those classes of asset held at fair value are summarised in the following table:

Valued at fair value as at:	31 March 2011 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000	Total Cost or Valuation £'000
Operational Assets						
Land and Buildings	384	420	1,613	1,900	50,999	55,316
Non-Operational Assets						
Surplus Assets	0	0	0	0	0	0

Infrastructure, community assets and assets under construction are held at historical value and have not been formally re-valued.

Note 13: Investment Properties

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

2013/14 £'000		2014/15 £'000
1,313	Rental Income from Investment Property	1,344
(93)	Direct Operating Expenses Arising from Investment Property	(169)
1,220	Net gain/(loss)	1,175

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. In April 2014 the Council decided to actively market an investment property - Downs House.

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

2013/14 £'000		2014/15 £'000
18,431	Balance at the Start of the Year	19,487
2	Subsequent Expenditure	10
1,054	Net gains/(losses) from Fair Value Adjustments	1,569
19,487	Balance at the Year End	21,066

Note 14: 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 £91,000 charged to revenue in 2014/15 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 table reflects the writing out of £35,000 of assets that were fully depreciated by the end of 2014/15. The movement on Intangible Assets balances during the year is as follows:

2013/14 Assets not Internally Generated £'000		2014/15 Assets not Internally Generated £'000
	Balance at the start of the year	
295	Gross Carrying Amounts	362
(105)	Accumulated Amortisation	(102)
190	Net Carrying Amount at the Start of the Year	260
	Additions	
128	Purchases	163
(58)	Amortisation for the Period	(91)
260	Net Carrying Value at the End of the Year	332
	Comprising	
362	Gross Carrying Amounts	447
(102)	Accumulated Amortisation	(115)
260		332

Note 15: Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. For the Council this means that all treasury contracts (borrowings and investments) are recognised as financial instruments as well as trade receivables, loans for policy purposes, trade payables and bank deposits. Statutory charges and payments (e.g. amounts due from Council Tax) are not recognised as financial instruments as these do not arise from contractual agreements and are outside the scope of the accounting treatment for financial instruments.

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

2013/14			2014/15	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
320	4,045	Financial Liabilities at Amortised Cost	221	4,458
320	4,045	Total Borrowings	221	4,458
0	25,327	Loans and Receivables	0	25,035
	25,327	Total Investments		25,035

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.

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
Interest Income	0	194
Net Gain/(Loss) for the Year	0	194

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 including written policies.

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 Money Market Funds	<u>Current Investments</u> Goldman Sachs: 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 £800,000 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 2015 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk:

	Amount at 31 March 2015 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31-Mar-14 %	Estimated maximum exposure to default and un-collectability at 31 March 2014 £'000	Estimated maximum exposure at 31-Mar-14 £'000
	A	B	C	(A x C)	
Deposits with SWIP	19,760	0	0	0	0
Goldman Sachs	800	0	0	0	0
Customers	20,560	0.93%	7.96%	194	1,519

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 £2.4m balance £492,000 is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-14 £'000		31-Mar-15 £'000
59	Less than three months	306
86	Three to Five months	15
43	More than Five Months	171
188	Total	492

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 2015, 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	(262)
Impact on Surplus or Deficit on the Provision of Services	(262)

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

There have been no changes to the method and approach for compiling the risk information for 2014/15 compared to 2013/14.

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 2014 Cost and Market Valuation £'000		31 March 2015 Cost and Market Valuation £'000
5,000	Balance B/F	0
(5,000)	Investment / (Withdrawal) During the year	0
0	Balance C/F	0

Note 16: Debtors

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

2013/14 £'000		2014/15 £'000
2,398	Central government bodies	1,343
569	Other Local Authorities	443
71	Council Tax Payers	55
104	Non Domestic Rate	60
2,293	Other Entities and individuals	3,336
5,435	Total Debtors	5,237

Long term debtors (greater than 365 days):

2013/14 £'000		2014/15 £'000
3	Mortgages	0
30	Staff car loans	5
33	Total	5

Note 17: 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. The Council had no net debt as at the 31 March 2015 or at any point during the year.

	31 March 2014 £'000	31 March 2015 £'000
Cash at Bank	778	820
Short-term Current Asset Investments	19,552	20,560
Net Funds / (Debt)	20,330	21,380

Note 18: Creditors

A summary of creditors is detailed below.

2013/14 £'000		2014/15 £'000
637	Central Government Bodies	834
1,216	Other Local Authorities	1,636
75	Council Tax	82
39	Non Domestic Rate	145
5,578	Other Entities and individuals	6,047
7,545	Total	8,744

Note 19: Usable/Unusable 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 overview:

Reserve	Balance 2013/14 £'000	Net Movement in year £'000	Balance 2014/15 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,417)	84	(3,333)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement
Strategic Reserves	(6,921)	(38)	(6,959)	Earmarked resources to provide funding for specific areas	Detailed in this note below
Capital Receipts Reserve	(4,714)	632	(4,082)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total usable Reserve	(15,052)	678	(14,374)		
Revaluation Reserve	(20,640)	(7,003)	(27,643)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(54,365)	(4,414)	(58,779)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Collection Fund Adjustment Account	(57)	(34)	(91)	Balance held on collection fund and NNDR AC	Detailed in this note below/ Note 31
NNDR Adj Account	682	(278)	404	Balance held on collection fund and NNDR AC	Detailed in this note below/ Note 31
Pensions Reserve	28,088	2,996	31,084	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 29
Total Unusable Reserve	(46,292)	(8,733)	(55,025)		
Total Reserves	(61,344)	(8,055)	(69,399)		

The movements in these reserves are detailed individually below.

Movements in Revenue Reserves

	Balance at 1 April 2013 £'000	Transfers		Balance at 1 April 2014 £'000	Transfers		Balance at 31 March 2015 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
Current Balances							
General Fund	3,230	187	0	3,417		(84)	3,333
Collection Fund Adjustment Account	48	9	0	57	34		91
NNDR Adjustment Account	0	0	(682)	(682)	278		(404)
Total Current Balances	3,278	196	(682)	2,792	312	(84)	3,020
Strategic Reserves							
Insurance	542	5		547	5	(63)	489
Repairs and Renewals	730	35	(21)	744	37	(88)	693
Interest Equalisation	665			665	0	(34)	631
VAT Reserve	179		(7)	172	55	0	227
Housing & Planning Delivery Grant Reserve	210			210	0	0	210
Property Maintenance	347	3	(100)	250	2	(31)	221
Commuted Sums	1,965			1,965	0	0	1,965
Hospital Cluster Interest	222	2	0	224	2		226
Corporate Project Reserve	573	501	(155)	919	1,364	(1,890)	393
Community Safety	87	3	(3)	87	2	(3)	86
Historic Buildings	3			3	0	0	3
Local Partnership Fund	12		(9)	3	0	0	3
Young People Partnership Fund	44	5		49		(11)	38
Yell Funds	3			3	0	0	3
Training Reserve	32		(3)	29		(5)	24
Prevention, Personalisation & Partnership Fund	150	141		291	180	(113)	358
Civic Investment Fund	100		(25)	75		(30)	45
Business rates equalisation reserve	0	685		685	331	(287)	729
Community Infrastructure Levy	0	0	0	0	612	0	612
Hardship Fund	0	0	0	0	3	0	3
Other	3	(3)		0	0	0	0
Total Strategic Reserves	5,867	1,377	(323)	6,921	2,593	(2,555)	6,959
Total Revenue Reserves	9,145	1,573	(1,005)	9,713	2,905	(2,639)	9,979

Capital Grants unapplied

The capital grants unapplied reserve represents the amount of capital grants receivable, there are neither conditions imposed nor restrictions for the use of these grants. These grants have not been applied to finance capital expenditure. The Council at the end of 2014/15 had a balance of nil (in 2013/14 the balance was nil).

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.

2013/14 £'000		2014/15 £'000
16,885	Balance at 1st April	20,640
4,095	Upward revaluation of assets	7,004
(340)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1)
3,755	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	7,003
0	Amount written off to the Capital Adjustment Account	0
20,640	Balance at 31st March	27,643

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.

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

2013/14 £'000		2014/15 £'000
(55,464)	Balance brought forward at 1st of April	(54,365)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
3,373	- charges for depreciation and impairment of non-current assets	705
0	- revaluation losses on property, plant & equipment	0
58	- amortisation of intangible assets	90
83	- revenue expenditure funded from capital under statute from Capital Reserves	
11	- 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	5
3,525	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2014/15	800
(51,939)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(53,566)
	<u>Capital Financing Applied in the Year</u>	
(497)	- use of the Capital Receipts Reserve used to finance new expenditure	(642)
(236)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,122)
(10)	- Application of grants to capital financing from the Capital Grants Unapplied Account	
(535)	- statutory provision for the financing of capital investment charged against the general fund	(605)
(94)	- capital expenditure charged against the General Fund	(1,275)
(1,372)	Total Capital Financing Applied in 2014/15	(3,644)
(1,054)	- movements in the market value of Investment Properties debited or credited to the Comprehensive Income and expenditure Account	(1,569)
(54,365)	Balance Carried Forward at 31 March 2015	(58,779)

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.

2013/14 £'000		2014/15 £'000
1,346	Revenue Expenditure funded from Capital under Statute Written Off	445
(1,263)	Less External Funding	(445)
83	Funded from Capital Reserves	0
58	Add Intangible Charges Written Off	90
141	Transfer from Capital Adjustment Account	90

Usable Capital Receipts Reserve

2013/14 £'000		2014/15 £'000
4,689	Balance brought forward at 1 April	4,714
522	Amounts receivable in year	10
(497)	Amounts applied to finance new capital investment	(642)
25	Total Increase (decrease) in realised capital resources	(632)
4,714	Balance carried forward at 31 March	4,082

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.

Pensions Reserve

Pension costs are detailed in Note 29.

Council Tax Collection Fund Adjustment Account and NNDR 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.

2013/14 £'000		2014/15 £'000
48	Balance at the start of the year	(625)
9	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	33
(682)	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	279
(625)	Balance at the end of the year	(313)

Note 20: Cashflow from Operating Activities include the following

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

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

2013/14 Restated £'000	Details	2014/15 £'000
(3,373)	Charges for depreciation and impairment of non-current assets	(709)
1,054	Movements in the market value of Investment Properties	1,569
(58)	Amortisation of intangible assets	(90)
(83)	Revenue expenditure funded from capital under statute	0
(11)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	0
(1,023)	Pension liability and related adjustment	(1,125)
(673)	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	312
1,318	Increase/(Decrease) in Debtors	(225)
(586)	(Increase)/Decrease in creditors	(2,823)
49	(Increase)/Decrease in Inventories	36
563	Other non-cash items	(1,124)
(2,823)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	(4,179)

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 CIES on the capital activities of the council such as non-current assets purchases disposal capital grants etc:

2013/14 Restated £'000	Details	2014/15 £'000
236	Capital Grants credited to surplus or deficit on the provision of services	713
535	Lease rentals	605
532	Proceeds from the sale of property plant and equipment, investment property and intangible assets	10
1,303		1,328

Note 21: Cashflow from Investing Activities

2013/14 £'000	Details	2014/15 £'000
602	Purchase of assets	3,507
(823)	Capital Grants Received (Gov't)	(669)
(532)	Receipts from sale of assets	(10)
(5,000)	Other receipts for investing activities	0
(5,753)		2,828

Note 22: Cashflow from Financing Activities

2013/14 £'000	Details	2014/15 £'000
535	Lease rentals	605
0	Other financing activities (NNDR shares and Council Tax Preceptors)	1,291
535		1,896

Note 23: 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 Reporting 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.

The segmental reporting tables are detailed on the following 2 pages starting with 2014/15.

2014/15	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	(6,187)	(1,676)	(1,753)	(1,497)		(11,113)
Government Grants and contributions	(179)	(806)	(562)	(23,690)		(25,237)
	(6,366)	(2,482)	(2,315)	(25,187)	0	(36,350)
Employees	3,444	1,245	1,629	5,627		11,945
Other Operating expenses	3,005	3,342	2,817	24,454		33,618
Support services Recharges	1,566	668	824	(3,500)		(442)
Depreciation, amortisation and Impairment	1,211	1,029	167	487	(2,894)	0
	9,226	6,284	5,437	27,068	(2,894)	45,121
Cost of Services	2,860	3,802	3,122	1,881	(2,894)	8,771

Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2014/15		£000's
Cost of Services in Service Analysis		8,771
Net expenditure of services and support services not included in the Analysis		(605)
Amounts in the CIE Statement not reported to management in the Analysis		639
Amounts included in the Analysis not included in the CIE Statement		247
Cost of Services on Comprehensive Income and Expenditure Statement		9,052

Values 2014/15	Service Expenditure £'000	Services not in analysis £'000	Not Reported to management £'000	Reported to management Not Included in Net cost of services £'000	Net Cost of services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service income	(11,113)	0	0	(1,110)	(12,223)	(149)	(12,372)
Interest and Investment income	0	0	0	2,580	2,580	(2,580)	0
Income from Council Tax	0	0	34	0	34	(34)	0
Government Grants and contributions	(25,237)	0	0	0	(25,237)	(8,845)	(34,082)
	(36,350)	0	34	1,470	(34,846)	(11,270)	(46,454)
Employees	11,945	0	0	1,125	13,070	0	13,070
Other Operating expenses	33,618	(605)	605	1,222	34,840	0	34,840
Support services Recharges	(442)	0	0	0	(442)	0	(442)
Depreciation, amortisation and Impairment	0	0	0	(3,556)	(3,556)	0	(3,556)
Capital receipts	0	0	0	(10)	(10)	(10)	(20)
(Profit)/ Loss on sale of non current assets	0	0	0	(4)	(4)	(357)	(361)
	45,121	(605)	605	(1,223)	43,898	(367)	43,531
(Surplus) or Deficit on Provision of services	8,771	(605)	639	247	9,052	(11,276)	(2,923)

Previous financial year Segmental reporting (2013/14):

2013/14 RESTATED	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	(5,783)	(2,519)	(1,993)	(3,168)		(13,463)
Government Grants and contributions			(6)	(21,615)	0	(21,621)
	(5,783)	(2,519)	(1,999)	(24,783)	0	(35,084)
Employees	3,213	1,138	1,524	5,509	0	11,384
Other Operating expenses	3,842	3,932	1,931	25,062	(1,761)	33,006
Support services Recharges	1,296	583	634	(2,942)	0	(429)
	8,351	5,653	4,089	27,629	(1,761)	43,961
Cost of Services	2,568	3,134	2,090	2,846	(1,761)	8,877

Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2013/14		£000's
Cost of Services in Service Analysis		8,877
Net expenditure of services and support services not included in the Analysis		(535)
Amounts in the CIE Statement not reported to management in the Analysis		3,478
Amounts included in the Analysis not included in the CIE Statement		471
Cost of Services on Comprehensive Income and Expenditure Statement		12,291

Values 2013/14 RESTATED	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	(13,463)			873	(12,590)	(7,988)	(20,578)
Government Grants and contributions	(21,621)			191	(21,430)	(2,903)	(24,333)
Total income	(35,084)	0	0	1,064	(34,020)	(10,891)	(44,911)
Employees	11,384		(35)		11,349		11,349
Other Operating expenses	33,006	(535)	3,513	(593)	35,391	139	35,530
Support services Recharges	(429)				(429)		(429)
Total expenditure	43,961	(535)	3,478	(593)	46,311	139	46,450
(Surplus) or Deficit on Provision of services 2013/14	8,877	(535)	3,478	471	12,291	(10,752)	1,539

Note 24: Members' Allowances

The total amount of Members' allowances paid in 2014/15 was £157,000 (£153,000, was paid in 2013/14).

Note 25: Executive Remuneration Bands and Exit Packages

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.

No. of Staff 2013/14	Remuneration Range	No. of Staff 2014/15
3	£50,000 - £54,999	4
1	£55,000 - £59,999	2
4	£60,000 - £64,999	2
1	£65,000 - £69,999	3
2	£70,000 - £74,999	2
3	£90,000 - £94,999	1
0	£95,000 - £99,999	1
1	£115,000 - £119,999	1
15	Total	16

Exit Packages

For the financial year 2014/15 the Council paid £264,411.63 in exit packages.

Detailed remuneration information for senior employees is set out below. The tables below show information for 2014/15 and 2013/14.

2014/15	Chief Executive	Director of Operations	Director of Finance (from 1/8/2014)	Acting Director of Finance (from 1/4/2014 to 31/7/2014)	Director of Human Resources	Head of Legal Services
<i>all figs. £'000</i>						
Salary	106	88	56	25	86	55
Expenses Allowances	4	4	2	0	3	8
Compensation for loss of office	0	146	0	0	118	0
Other Benefits	7	0	5	0	7	3
Total remuneration excluding Pension contributions	117	238	63	25	214	66
Pension Contributions	16	14	9	4	13	10
Total remuneration including pension contributions 2014/15	133	252	72	29	227	76

2013/14	Chief Executive	Director of Operations	Director of Finance	Acting Director of Finance (from 1/3/2014)	Director of Human Resources	Head of Legal Services
<i>all figs. £'000</i>						
Salary	105	86	81	6	85	52
Bonuses	0	2	2	0	0	0
Expenses Allowances	4	3	3	0	3	8
Other Benefits	7	0	6	0	7	3
Total remuneration excluding Pension contributions	116	91	92	6	95	63
Pension Contributions	16	13	12	1	13	9
Total remuneration including pension contributions 2013/14	132	104	104	7	108	72

Note 26: Audit Costs

In 2014/15 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2013/14 £'000		2014/15 £'000
54	Fees payable to the external auditors with regard to external audit	59
14	Fees payable to the external audit for the certification of grant claims and returns	13
68	Balance to Income and Expenditure Account	72

Note 27: Capital Financing Requirement

2013/14 £'000		2014/15 £'000
(161)	Opening Capital Financing Requirement	(161)
	Capital investment	
622	Property, Plant and Equipment	739
2	Investment Properties	10
0	Assets under Construction	2,349
128	Intangible Assets	163
1,347	Revenue Expenditure Funded from Capital under Statute	445
	Sources of finance	
(496)	Capital receipts	(643)
(1,509)	Government grants and other contributions	(1,567)
	Sums set aside from revenue:	
(94)	Direct revenue contributions	(1,275)
0	Finance lease identified under IFRS	(221)
(161)	Closing Capital Financing Requirement	(161)
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 28: Finance and Operating Leases

Finance Leases in (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:

2013/14 £'000		2014/15 £'000
1,040	Vehicles, Plant, and Equipment	773

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:

2013/14 £'000		2014/15 £'000
561	Finance lease liabilities (net present value of minimum lease payments): Current	277
320	Finance lease liabilities (net present value of minimum lease payments): non- Current	221
102	Finance costs payable in future years – Interest	55
983	Minimum lease payments	553

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2013/14 £'000	2013/14 £'000		2014/15 £'000	2014/15 £'000
628	561	Not later than one year	310	277
355	320	Later than one year and not later than five years	230	221

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment recognised in the Income and Expenditure account – 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 liability (principal).

Operating Leases in (Council as Lessee)

Operating Lease Liabilities 2013/14 £'000		Operating Lease Liabilities 2014/15 £'000
70	Not later than one year	31

Operating Leases out (Council as Lessor)

In 2014/15 the Council received £1,344,000 (note 13) in rental income from its investment properties (compared to £1,313,000 in 2013/14), 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 £18,484,000 (17,080,000 in 2013/14).

The future lease payments receivable in future years are:

Lease Income at 31 March 2014 £'000		Lease Income at 31 March 2015 £'000
1,503	Not later than one year	1,410
2,714	Later than one year and not later than five years	2,296
39,435	Later than five years	41,275
43,652	Total	44,981

£30 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 2014/15 no contingent rents were receivable by the Authority (2013/14 £nil).

The Council leases parts of the Town Hall to Surrey County Council (SCC) and Surrey Police. The lease with SCC is on a rolling basis and earns annual rental of £96,000 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.

Note 29: 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:

2013/14 £'000		2014/15 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
1,556	Current service cost	1,739
	<u>Financing and Investment Income and Expenditure</u>	
1,057	Net Interest Expense	1,154
2,613	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,893
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
1,522	Changes in demographic assumptions	0
167	Changes in financial assumptions	7,532
3,617	Other experience	(694)
(1,682)	Return on assets excluding amounts included in net interest	(4,967)
6,237	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,871
	<u>Movement in Reserves Statement</u>	
(2,613)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,893)
1,590	Employers' contributions payable to scheme	1,768

Cumulative remeasurement of the net benefit liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of 1,870,000.

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 £3 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £31.1 million. The pension liability is 44% of the balance sheet net value in 2014/15 compared to 42.6% in 2013/14.

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 £1,870,000 (actuarial losses of £3,624,000 in 2013/14) is included in the Comprehensive Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2015 are as follows:

Reconciliation of Present value of Scheme Assets and Liabilities

2013/14 £'000		2014/15 £'000
(73,450)	1 April 2014	(81,002)
(1,556)	Current service cost	(1,739)
(3,280)	Interest cost	(3,290)
(432)	Contribution from scheme participants	(508)
	Remeasurement gain/(loss):	
(1,522)	- actuarial gains/losses arising from changes in demographic assumptions	0
(167)	- actuarial gains/losses arising from changes in financial assumptions	(7,532)
(3,617)	- Other experience	694
114	Unfunded benefits paid	109
2,908	Benefits paid	3,566
(81,002)	Estimates Liabilities in scheme 31 March 2015	(89,702)
50,009	1 April 2014	52,914
2,223	Interest income	2,136
	Remeasurement gain/(loss):	
1,682	- return on plan assets, excluding the amount in net interest expense	4,968
1,476	Contributions from employer	1,658
432	Contributions from employees into the scheme	508
(2,908)	Benefits paid	(3,566)
52,914	Estimates assets in scheme 31 March 2015	58,618
(28,088)	Net asset / (liability) 31 March 2015	(31,084)

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

2013/14 £'000		2014/15 £'000
3,905	Actual return as per actuaries	7,104

The return on the fund in market value terms for the period to 31st March 2015 is estimated based on actual funds return as provided by the administering authority and Index returns where necessary.

Scheme History

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Present value of liabilities:					
Local Government Pension Scheme	(60,585)	(64,866)	(73,450)	(81,002)	(89,702)
Fair Value of Assets:					
Local Government Pension Scheme	44,558	44,226	50,009	52,914	58,618
Total	(16,027)	(20,640)	(23,441)	(28,088)	(31,084)

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 £3m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £31.1m. 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 (before payments fall due), as assessed by scheme actuary
- Finance is only required 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 2016 is £1,990,000.

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. The main assumptions used in their calculations have been:

2013/14		2014/15
	Longevity at 65 for current pensioners:	
22.5	Men	22.5
24.6	Women	24.6
	Longevity at 65 for future pensioners:	
24.5	Men	24.5
26.9	Women	26.9
2.6%	Rate of increase in pensions	2.1%
3.9%	Rate of increase in salaries	3.5%
4.1%	Rate for discounting scheme liabilities	3.1%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

Assets in the Surrey 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 2013/14		Percentage of Funds Assets 2014/15
78%	Equity Investments	78%
16%	Bonds	14%
5%	Property	6%
1%	Cash	2%
100%		100%

Movement in net pension liability:

2013/14 £'000		2014/15 £'000
(23,441)	Opening Balance	(28,088)
(1,556)	Current Service Costs	(1,739)
(1,057)	Net Interest Expense	(1,154)
1,542	Employer Contributions	1,768
(3,624)	Remeasurements	(1,870)
(28,088)	Closing Balance	(31,084)

Note 30: 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.

The Council has been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd the amount subject to levy is £327,000 may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities as at 31/03/2014. The Insurance Reserve includes an amount to cover any future claims.

Note 31: 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.

UK Central Government has effective control over 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 and housing benefits). These transactions are listed in the Primary statements and supporting notes.

Members of the Council have direct control over the Council's financials and operating policies. During 2014/15 the Council made grant payments of £148k to three voluntary organisations. The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2013/14 £'000	2014/15 £'000	Councillor(s)
Age concern	16	16	Nigel Pavey, Humphrey Reynolds, Jean Steer
Citizen Advice Bureau	117	117	Eber Kington
Carers of Epsom	0	15	Jean Smith
Total	133	148	

Note 32: Collection Fund Income and Expenditure Account

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 between the General Fund, Surrey County Council and Surrey Police Authority (the preceptors). Council Tax is the means of raising income from local residents to pay for council services. Under the new Business Rate Retention Scheme local authorities retain 40% of income collected on local Business Rates. Of the remainder, 50% is passed over to the Government and 10% to the County. This account sets out the income and the shares between the preceptors.

2013/14				2014/15		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(48,458)	(48,458)	INCOME:			
(23,036)	0	(23,036)	Council Tax Receivable	(22,895)	(50,048)	(50,048)
176	0	176	Business Rates Receivable	116	0	(22,895)
			Transitional Protection Payments receivable			116
(22,860)	(48,458)	(71,318)	Total Income	(22,779)	(50,048)	(72,827)
			EXPENDITURE:			
			Apportionment of Prior Year Surplus			
0	0	0	Central Government	(228)	0	(228)
0	51	51	Epsom & Ewell Borough Council	(183)	52	(131)
0	353	352	Surrey County Council	(46)	358	312
0	62	62	Surrey Police Authority	0	63	63
			Precepts, Demands and Shares			
11,515	0	11,515	Central Government	11,201	0	11,201
9,212	5,251	14,463	Epsom & Ewell Borough Council	8,961	5,403	14,364
2,303	36,123	38,426	Surrey County Council	2,240	37,200	39,440
0	6,394	6,394	Surrey Police Authority	0	6,585	6,585
			Charges to Collection Fund			
133	140	273	Increase / (Decrease) in Bad Debt Provision	86	80	166
1,317	0	1,317	Increase / (Decrease) in Provision for Appeals	(36)	0	(36)
88	0	88	Cost of Collection	87	0	87
24,567	48,374	72,941	Total Expenditure	22,082	49,741	71,823
1,707	(84)	1,623	(Surplus) / Deficit arising during the year	(697)	(307)	(1,004)
0	(434)	(434)	(Surplus) / Deficit arising during the year	1,707	(518)	1,189
1,707	(518)	1,189	(Surplus) / Deficit c/fwd 31 March 2015	1,010	(825)	185
			Apportionment to Preceptors/EEBC			
853	0	853	Central Government	505	0	505
683	(57)	626	Epsom & Ewell Borough Council	404	(91)	313
171	(392)	(221)	Surrey County Council	101	(624)	(523)
0	(69)	(69)	Surrey Police Authority	0	(110)	(110)
1,707	(518)	1,189		1,010	(825)	185

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
	A	76.64	6/9 th	51.09
	B	646.41	7/9 th	502.76
	C	3,576.24	8/9 th	3,178.88
	D	7,176.13	9/9 th	7,176.13
	E	6,856.29	11/9 th	8,379.91
	F	4,176.00	13/9 th	6,031.99
	G	3,664.38	15/9 th	6,107.29
	H	116.95	18/9 th	233.9
Aggregate of Relevant Amounts				31,661.95
Estimated Collection				98.25%
Council Tax Base				31,107.87

Non-Domestic Rates Statistics

	2013/14 £'000	2014/15 £'000
Total Non-Domestic Rateable Value at year end	60,069	59,515
National Non-Domestic Rate Multiplier (Standard)	47.1	48.2

Precepting Bodies

Epsom & Ewell Borough Council, as a billing authority, collects Council Tax and passes on the payments to the preceptors.

	2013/14 £'000	2014/15 £'000
Surrey County Council	36,123	37,200
Surrey Police	6,394	6,585
Epsom and Ewell Borough Council	5,251	5,403
Total Precepts on Collection Fund	47,768	49,188

Distribution of Council Tax Surplus

2013/14 £000		2014/15 £000
353	Surrey County Council	358
62	Surrey Police Authority	63
51	Epsom & Ewell Borough Council	52
466		473

Council Tax Provision for Bad Debts

2013/14 £000		2014/15 £000
442	Opening Balance	530
88	Increase/(Decrease) in Bad Debt Provision	2
530	Balance at Year End	532

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 is 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 and Resources. For this year of account (2014/15), the following arrangements applied:
 - From 1st March to 31st July 2014, Lee Duffy was the Acting Director of Finance;
 - From 1st August 2014, Kathryn Beldon took up her appointment as the Director of Finance and Resources.
- 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 2015.

The Director of Finance and Resources in her 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. In preparing this statement of accounts, the Director of Finance and Resources has:
 - Selected suitable accounting policies and then applied them consistently;
 - Made reasonable and prudent judgements and estimates;
 - Complied with the Code of Practice.
5. The Director of Finance and Resources 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

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

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

3. Epsom and Ewell Borough Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government". This statement explains how Epsom and Ewell has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 and accompanies the 2014-15 Final Accounts. The Annual Governance Statement is subject to review by the Audit, Crime & Disorder and Governance and the Strategy & Resources Committee when it considers the Statement of Accounts.

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 Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

6. The governance framework has been in place at Epsom and Ewell Borough Council for the year ended 31 March 2015 and up to the date of approval of the Annual Report and Statement of Accounts.

Sources of Assurance

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 and Resources 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 Audit, Crime & Disorder and 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 Audit, Crime & Disorder and Scrutiny Committee monitor 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 and has an action plan in place.

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of 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.

Assurance Received

- 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 Statutory Officers Group meets monthly to review issues.
- The Head of Internal Audit's Annual Report presented to the Audit, Crime & Disorder and Scrutiny Committee. For 2014/15 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 Risk Management Framework was reported to the Scrutiny Committee in November 2013, who is responsible for monitoring and reviewing the Council's risk management arrangements.

- The Heads of Service complete annual self-assessments (Divisional Assurance Statements) of the processes and controls they have in place to allow them to achieve their service objectives. This identifies a range of service risks.
- Performance management reports are taken place to relevant the policy committees and the Audit, Crime & Disorder and 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.
- Annual Service Plans are monitored and updated.
- Local Ombudsman Report on complaints received.
- End of Year Report by Audit, Crime & Disorder and Scrutiny Committee.
- Financial assurance from budget targets report and Quarterly Revenue and Capital Monitoring Reports.
- Register of pecuniary interests.
- Fraud Risk Assessment.
- Pay Award and Pay Policy statement 2014/15.
- Emergency Planning and Business Continuity Plans.

8. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit, Crime & Disorder and Scrutiny Committee, Corporate Risk Group, Corporate Governance 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	Lead Officer	Date
1	The Council continues to manage the ongoing financial pressures as a result of spending cuts.	The 2015/16 budget provides a good platform for budget planning and the cost reduction plan will be further developed as part of 2016/17 budget. It will also monitor the effect of reduced income from regulatory changes.	Director of Finance & Resources	Mar-16
2	The Council have a number of key projects planned for the future within both the revenue and capital programme. . There is a risk that individual projects are not proceeded or not delivered within budget	A project manager has been appointed to help deliver key community projects and monitor of key projects will continue.	Corporate Board	Action Plan for each Project

3	The Council handles a significant volume of data and information. The governance and security arrangements help safeguard information and have been reviewed but action not completed.	Work is being undertaken to strengthen the arrangements in place. An officer group is reviewed the risk and reviewed procedures and training requirements. Mandatory training was rolled out to staff across the summer of 2015.	Information Governance Group	Jul-15
4	The Council are housing a larger number of households in bed and breakfast accommodation due to increased demand.	A task force has been established to find a longer term solution for the provision of suitable temporary accommodation.	Corporate Board	Ongoing
5	As with many smaller Council's staffing resources are stretched in a number of departments affecting the resilience and ability to deliver services	Need to review the effect of divisional restructures and reduced staffing numbers through a range of processes. Engage with staff to address key issues.	Corporate Board	Ongoing

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

Signed:

Chair of Strategy and Resources & Chief Executive on Behalf of Epsom and Ewell Borough Council

Glossary of Financial Terms

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.
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”. Since the localisation of Business Rates was introduced, NNDR is collected by billing authorities and distributed to central government, county and fire authorities on the basis of a pre-set formula which includes retaining a proportion of rate income for the billing authority.
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 Surrey County Council and Police Authority. In addition, billing authorities pay a proportion of rate income to precepting authorities (see NNDR above).
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 AND EWELL BOROUGH COUNCIL

We have audited the financial statements of Epsom and Ewell Borough Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of Epsom and Ewell Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resource's Responsibilities, the Director of Finance and Resource 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 2014/15, 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 also 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 Resource; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 and Ewell Borough Council as at 31 March 2015 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 2014/15 and applicable law.

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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 October 2014, we are satisfied that, in all significant respects, *Epsom and Ewell Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Christian Heeger

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Explorer Building, Fleming Way, Manor Royal, Gatwick, RH10 9GT

30 September 2015