EPSOM & EWELL BOROUGH COUNCIL

Statement of Accounts

2016/17

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Certificate of the Director of Finance and Resources

I certify that the statement of accounts for the financial year 2016/17 set out on pages 4 to 89 attached, presents a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Lee Duffy (CPFA)
Acting Director of Finance and Resources - S151 Officer

Date: 26 September 2017

Narrative Report

1. Introduction

This narrative report 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. This set of accounts includes any necessary updates or presentation of the notes from the Code to match the format and layout recommended by CIPFA.

The Council's accounts for the year 2016/17 are set out on pages 10 to 77 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 2017.

The Council's General Fund balance stands at £3,334,000 as at 31 March 2017, after contributions to strategic earmarked reserves of £3,375,000 for 2016/17. The Council's financial health has been maintained over 2016/17 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 including potential Business Rate reforms.

This financial year was the second since the Council reviewed its Senior Management structure at the end of 2014/15 and creation of a new Leadership Team to drive the Council forward in terms of its strategic direction and operational management. This year has also seen a further change in the senior structure with the appointment of a new Chief Executive who took office following the resignation of the previous post holder who took up a similar position in another local organisation.

The new structure has now had time to settle and this has allowed the Leadership Team time to absorb and tackle the continuing challenging financial environment and the pressures that have been forecast in the Council's four year Medium Term Financial and Efficiency Plan. A programme of revenue savings is now on track and operational efficiencies that have been identified are coming into fruition, ensuring the Council is as cost effective and fit for purpose as possible in light of the challenges that will present themselves in financial year 2017/18 onwards, including Business Rates reform.

This financial year has been the last year of the Council's Corporate Plan which ran from 2012–2016. This period has seen a number of Performance Indicators introduced to monitor annual progress and ensure performance is well on track. This has had good results and regular updates and feedback have been agreed through the new Leadership Team. This year has also seen the introduction of monthly and quarterly monitoring of expenditure and income that has created a higher level of accountability and accuracy across the organisation. The Council's 34 budget managers have all managed their service budgets with a higher degree of scrutiny in 2016/17, and this in turn has led to a favourable year-end outturn position, maximised levels of income generation and efficiency savings.

For 2016/17 the Council achieved an overall underspend of £163,000 for its General Fund revenue account budget and this allowed a contribution to be made to General Fund working balances which now stand at £3,334,000 as at the 31 March 2017.

This favourable underspend has been delivered against a backcloth of financial challenges in 2016/17 including: a reduction in central government Revenue Support Grant (RSG) of £500,000; service delivery savings required of £940,000; Fees and charges increases of £400,000 and significant pressures on the Council's homelessness budget, together with minimal inflationary increase for pay and price inflation.

A key decision was agreed in the year 2016/17 that will ensure future stability in the form of additional income generation. The Council created a new Commercial Property Acquisition Fund with a fund level of up to £80,000,000. The purpose of which is to purchase investment properties that will generate new income streams to help the Council improve its financial position and need for a more self-sufficient standing in difficult times with reduced levels of central government funding support. So far, two properties have been purchased and these have been funded by low rate loans from the Public Works Loan Board. Both of these properties generate additional income after allowing for the cost of borrowing and this income has been of benefit in 2016/17 as well benefitting future financial years for the Council's overall budget position.

In other areas a number of new initiatives have helped the Council reduce its expenditure on homelessness by increasing the supply of in-Borough temporary accommodation. This has included the refurbishment of nine flats at Blenheim Road for temporary accommodation use. The Council also benefited in 2016/17 from high performance from its Treasury Management income which generated income above budget of £100,000 during a time of low and depressed market interest rates.

The Council has refreshed its Medium Term Financial Strategy and Efficiency Plan which continues to maintain the financial health of the Council whilst delivering the priorities within the Corporate Plan. Taking into account announced cuts in Central Government funding, the current Financial Strategy assumes a saving requirement of £626,000 for 2018/19 and a further £927,000 for 2019/20. The Council has balanced its budget for 2017/18 which was approved by Council on 14 February 2017.

Current Economic Climate and the future

Brexit will create uncertainty this year and beyond. The financial impacts of this are not currently quantified and could be positive or negative. The impact on the Council's finances whether positive or negative could include; interest rates for both capital borrowing and investments; general inflation rates; labour costs and mobility; property values and rents.

Central Government funding continues to fall and from 2017/18, the Council will have zero Revenue Support Grant to support its General Fund budget requirement. New Homes Bonus has also been further reduced and this will impact upon budgets in future financial years. Demographic growth and an increasing ageing population will continue to present challenges for this Council and County in years to come.

The economic crisis that has affected the global economy since the autumn of 2008 continues to produce volatility in income received by the Council from fees and charges. In setting the 2016/17 budget the Council factored in the continuing economic upturn along with the risk of continuing uncertainty around income streams such as car park income, Council venues, building control and planning fees. Any known favourable or adverse trends have been addressed in the budget setting process for 2017/18. The income received from fees and charges is very much dependent on the disposable income of individuals and therefore remains an area of concern which is closely monitored on a monthly basis.

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 £347,000 in 2016/17 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 Statement of Accounts which follow this narrative section comprise four main statements:

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

The new EFA is an addition to the accounts for 2016/17 and has been introduced to show for each of the Council’s services a comparison of the net resources applied to the Comprehensive Income and Expenditure Statement compared to the net charge against Council Tax. The new EFA promotes accountability and stewardship by providing the direct link between the Statement of Accounts and the budget outturn position on the General Fund.

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 (NNDR) transactions in the financial year.

2. Budget Performance 2016/17 - Council Tax Accounts

Total requirements were £1,670.54 per Band D property. This comprised £1,268.28 for Surrey County Council, £2220.19 for Surrey Police and £182.07 for Epsom and Ewell Borough Council. The demand by the Council was determined after taking account of budgeted income from NNDR of £1,216,000 and Revenue Support Grant of £417,000 plus Transitional Grant of £93,000. The resultant demand on the Collection Fund Tax Income amounted to £5,829,000.

The Council achieved a council tax collection rate of 99.1% (98.4% in 2015/16). 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 NNDR 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, including Epsom and Ewell Borough Council have set up a 'provision for appeals' to minimise the impact of these adjustments on their budget in future years.

The Council's estimated budget requirement (net spend on services) reduced by 1.90% for 2016/17 compared to 2015/16, with the Council's estimated council tax requirement increased by £248,000. Net expenditure 2016/17 by Committee and by subjective analysis is below:

2015/16		2016/17		
Actual £'000	Committee	Budget £'000	Actual £'000	Variance* £'000
1,115	Strategy and Resources Committee	2,104	1,811	(293)
2,508	Environment Committee	2,456	2,542	86
3,249	Social Committee*			
	Community & Wellbeing Committee	6,547	6,592	45
3,913	Leisure Committee*			
(2,879)	Asset Rent / Capital Charges Account	(3,381)	(3,381)	0
7,906	**TOTAL**	**7,727**	**7,564**	**(163)**
(7,744)	External Funding	(7,727)	(7,727)	0
(162)	Contribution to/(from) General Fund Reserves	0	(163)	(163)
0	**TOTAL**	**0**	**0**	**0**

*Note Community and Wellbeing Committee absorbed the Leisure and Social following a Committee structure change in 2016/17

Net expenditure 2016/17 by subjective description is detailed below.

2015/16		2016/17		
Actual £'000	Subjective Description	Original Budget £'000	Actual £'000	Variance* £'000
11,292	Employees	11,296	11,253	(43)
3,053	Premises related expenses	3,140	3,151	11
7,398	Supplies and services	7,758	7,764	6
544	Third Party payments	623	647	24
21,553	Transfer payments	21,890	21,893	3
1,480	Transport related expenses	1,360	1,369	9
(37,414)	Income	(38,340)	(38,513)	(173)
7,906	**TOTAL**	**7,727**	**7,564**	**(163)**

* Individual Committee variations include changes to internal recharges.

3. Contributions To / From Strategic Revenue Reserves

Included in Committee actuals is a net contribution of £3,375,000 to Strategic Revenue Reserves in 2016/17 (compared to a net contribution from reserves of £2,854,000 in 2015/16).

A full breakdown of the Movement in Revenue Reserves is shown in Note 10 to the Statement of Accounts. Total strategic reserves stand at £13,188,000 for 2016/17 (was £9,813,000 for 2015/16) and Total revenue reserves, which includes the General Fund balance stands at £16,245,000 for 2016/17 (was £12,903,000 for 2015/16).

The Council has a policy of maintaining a prudent General Fund balance of £2,500,000 to provide for unforeseen requirements.

4. 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 externally borrowed for the first time in 2016/17 to fund two property purchases and this was in the form of Public Works Loan Board loans to the value of £19.134m. The lease liability is shown as a finance lease for IFRS accounting purposes. The Council spent £21,742,000 on capital schemes in 2016/17. A summary of expenditure by committee is shown below as are the sources of funding.

2015/16 Actual £'000	Capital Programme Expenditure	2016/17 Current Budget £'000	2016/17 Actual £'000	2016/17 Variance £'000
415	Strategy and Resources	21,273	20,160	(1,113)
195	Environment Committee	718	203	(515)
448	Social Committee			
	Community and Wellbeing Committee	5,065	1,379	(3,686)
1,886	Leisure Committee			
2,944	**Total Capital Programme Expenditure**	**27,056**	**21,742**	**(5,314)**

2015/16 £'000	Capital Programme Funding	2016/17 £'000
756	Capital Receipts	813
0	PWLB Borrowing	19,133
419	Capital Grants	457
1,769	External Contributions	1,141
2,944	**Total Capital Programme Funding**	**21,544**
55	Revenue Contribution	197
2,999	**Total**	**21,742**

The Council generated £737,000 of net capital receipts during the year. The balance of the Council's usable capital reserves at 31 March 2017 is £4,893,000 (compared to £4,968,000 at 31 March 2016).

5. Pension Liability

The balance of the Council's pension liability as at 31 March 2017 is £33.293m (compared to £28.059m at the 31 March 2016). This is an increase of £5.234m in the year. See note 31 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.

6. Further Information

Additional information about the accounts is available from Lee Duffy (Acting Director of Finance and Resources), at Epsom and Ewell Borough Council, Town Hall, The Parade, Epsom, Surrey KT18 5BY. Telephone:- 01372-732210 email:- lduffy@epsom-ewell.gov.uk

Expenditure and Funding Analysis for the year ended 31 March 2017

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16					2016/17			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal reporting and statutory position	Net Expenditure in the Comprehensive Income and Expediture Statement		Net Expenditure Chargable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal reporting and statutory position	Net Expenditure in the Comprehensive Income and Expediture Statement
£'000	£'000	£'000	£'000	**Committee**	£'000	£'000	£'000	£'000
2,715	(287)	(1,831)	597	Environment	1,274	(382)	(12)	880
6,955	(3,689)	579	3,845	Community and Wellbeing	6,618	(834)	163	5,947
1,115	418	(433)	1,100	Strategy and Resources	3,172	(762)	371	2,781
10,785	(3,558)	(1,685)	5,542	Net Cost of Services	11,064	(1,978)	522	9,608
(10,623)	935	(1,169)	(10,857)	Other Income and Expenditure	(11,227)	1,903	(3,897)	(13,221)
162	(2,623)	(2,854)	(5,315)	(Surplus) or Deficit	(163)	(75)	(3,375)	(3,613)
(3,333)				Opening General Fund balance	(3,171)			
162				Less/Plus Surplus or Deficit on General Fund	(163)			
(3,171)				Closing General Fund at 31 March*	(3,334)			

* For a split of this balance between the General Fund - see the Movement in Reserves Statement.

This statement forms part of the Notes to the accounts. 2015/16 Gross Expenditure and Gross Income has been restated to aid comparison following the introduction of new reporting requirements in 2016/17, further information is shown in Accounting Policies Section 2, Page16

Comprehensive Income and Expenditure Statement for year ended 31 March 2017 (restated).

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16				2016/17		
Net Expenditure	Gross Income	Gross Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Committee	£'000	£'000	£'000
597	(9,030)	9,627	Environment	8,454	(7,574)	880
3,845	(4,062)	7,907	Community and Wellbeing	9,785	(3,838)	5,947
1,100	(25,257)	26,357	Strategy and Resources	21,858	(19,077)	2,781
5,542	**(38,349)**	**43,891**	**Cost of Services**	**40,097**	**(30,489)**	**9,608**
17	0	17	Other Operating Expenditure (Note 11)	0	(685)	(685)
(1,859)	(2,865)	1,006	Financing and investment Income and Expenditure (Note 12)	1,073	(3,017)	(1,944)
(9,015)	(9,015)	0	Taxation and non-specific grant income and expenditure (Note 13)	0	(10,592)	(10,592)
(5,315)	**(50,229)**	**44,914**	**(Surplus) or Deficit on Provision of Services**	**41,170**	**(44,783)**	**(3,613)**
(6,219)			(Surplus)/Deficit on revaluation of property, plant, equipment assets			(2,294)
(4,233)			Remeasurement of net defined benefit liabilty/(asset)			4,450
(10,452)			**Other Comprehensive Income and Expenditure**			**2,156**
(15,767)			**Total Comprehensive Income and Expenditure**			**(1,457)**

2015/16 Gross Expenditure and Gross Income has been restated to aid comparison following the introduction of new reporting requirements in 2016/17, further information is shown in Accounting Policies Section 2, Page16

Movement in Reserves statement (MiRs) for the year ended 31 March 2017.

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	Revenue Reserves	Capital Reserves								
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Revaluation Reserves	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Unusable Reserves	Total Authority Reserves
2016-17	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2016	(12,984)	(4,968)	0	(17,952)	(33,862)	(61,492)	81	28,059	(67,214)	(85,166)
Movement in Reserves During 2016/17										
Total Comprehensive Income and Expenditure	(3,613)	0	0	(3,613)	(2,294)	0	0	4,450	2,156	(1,457)
Adjustments between accounting basis and funding under regulations (Note 9)	75	75	0	150	0	(1,131)	197	784	(150)	0
Increase or Decrease in 2016/17	(3,538)	75	0	(3,463)	(2,294)	(1,131)	197	5,234	2,006	(1,457)
Balance at 31 March 2017 carried forward	(16,522)	(4,893)	0	(21,415)	(36,156)	(62,623)	278	33,293	(65,208)	(86,623)
General Fund analysed over:										
Amounts earmarked (Note 10)	(13,188)									
Amounts uncommitted	(3,334)									
Total General Fund Balance at 2016/17	(16,522)									
2015-16										
Balance at 31 March 2015	(10,292)	(4,082)	0	(14,374)	(27,643)	(58,779)	313	31,084	(55,025)	(69,399)
Movement in Reserves During 2015/16										
Total Comprehensive Income and Expenditure	(5,315)	0	0	(5,315)	(6,219)	(976)	(232)	(3,025)	(10,452)	(15,767)
Adjustments between accounting basis and funding under regulations (Note 9)	2,623	(886)	0	1,737	0	(1,737)	0	0	(1,737)	0
Increase or Decrease in 2015/16	(2,692)	(886)	0	(3,578)	(6,219)	(2,713)	(232)	(3,025)	(12,189)	(15,767)
Balance at 31 March 2016 carried forward	(12,984)	(4,968)	0	(17,952)	(33,862)	(61,492)	81	28,059	(67,214)	(85,166)
General Fund analysed over:										
Amounts earmarked (Note 10)	(9,813)									
Amounts uncommitted	(3,171)									
Total General Fund Balance at 2015/16	(12,984)									

Balance Sheet as at 31 March 2017

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'.

2015/16 £'000		Note	2016/17 £'000
	Long-term Assets		
73,394	Total Property, Plant and Equipment	15	75,436
20,900	Investment Properties	16	41,437
722	Heritage Assets		722
383	Intangible Assets	17	261
2	Long Term Debtors	19	7
95,401	**Total Long-term Assets**		**117,863**
	Current Assets		
13	Inventories		15
5,058	Short-term Debtors	19	3,940
15,000	Short-term Investments	18	12,500
12,860	Cash and Cash Equivalents	20	17,251
32,931	**Total Current Assets**		**33,706**
	Current Liabilities		
11,305	Short-term Creditors	21	9,051
116	Lease Liability - Within One year	31	89
11,421	**Total Current liabilities**		**9,140**
	Long-term Liabilities		
0	Long Term Borrowing	18	19,134
28,059	Liability Related to Defined Benefit Pension Schemes	32	33,294
2,829	Capital Grants Receipts in Advance	14	2,381
763	Long-term Provisions	22	986
94	Deferred Liabilities	31	11
31,745	**Total Long-term Liabilities**		**55,806**
85,166	**NET ASSETS**		**86,623**
	Total Reserves		
(17,952)	Usable Reserves		**(21,414)**
(67,214)	Unusable Reserves		**(65,209)**
(85,166)	**TOTAL RESERVES**		**(86,623)**

These financial statements replace the unaudited financial statements certified by the acting Director of Finance and Resources (S151 Officer) on 30 June 2017.

2015/16 £'000	Balances and Reserves	Note	2016/17 £'000
	Usable Reserves		
(3,171)	General Fund	22	(3,334)
(9,813)	Earmarked Reserves	10	(13,187)
(4,968)	Capital Receipts Reserve	22	(4,893)
0	Capital Grants Unapplied		0
(17,952)	**Total Usable Reserves**		**(21,414)**
	Unusable reserves		
(33,862)	Revaluation Reserve	22	(36,156)
(61,492)	Capital Adjustment Account	22	(62,623)
(120)	Collection Fund Adjustment Account	22	(136)
201	NNDR Adjustment Account	22	413
28,059	Pensions Reserve	31	33,293
(67,214)	**Total Unusable Reserves**		**(65,209)**
(85,166)	**TOTAL RESERVES**		**(86,623)**

Cash Flow Statement as at 31 March 2017

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.

2015/16 £'000		Note	2016/17 £'000
(5,315)	**Net (Surplus) or Deficit on the Provision of Services**	CIES	(3,613)
(4,396)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements	24	(1,285)
1,683	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	2,336
(8,028)	**Net cash flows from Operating Activities**		**(2,562)**
15,510	Net cash outflow / (inflow) from Investing Activities	25	17,970
1,038	Net cash outflow / (inflow) from Financing Activities	26	(19,799)
8,520	**Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period**		**(4,391)**
21,380	Cash and Cash Equivalents at the Beginning of the Period		**12,860**
(8,520)	Net Increase in Cash and Cash Equivalents		**4,391**
12,860	Cash and Cash Equivalents at the End of the Reporting Period	20	**17,251**

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 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2016/17 and the SeRCOP (Service Reporting Code of Practice - Service Expenditure Analysis) 2016/17, 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. Changes in accounting policies for 2016/17

The 2016/17 Code of Practice on Local Authority Accounting introduces the requirement for the Council to report service segments based on the way in which it operates and manages services. This change ends the requirement for the Service Analysis in the Comprehensive Income and Expenditure Statement to be based on the definition of total cost and the service expenditure analysis in the Service Reporting Code of Practice (SeRCOP). The objective of these changes is to allow the reporting requirements on the face of the Comprehensive Income and Expenditure Statement to align with how a local authority reports its performance internally to management.

A new Expenditure Fund Analysis (EFA) has been introduced that shows for each of the Council's services a comparison of the net resources applied in the Comprehensive Income and Expenditure Statement compared to the net change against Council Tax. The EFA promotes accountability and stewardship by providing this direct link between the Statement of Accounts and the budget outturn position on the General Fund.

The Council commenced external borrowing in 2016/17 to fund capital expenditure for the purchase of two commercial investment properties. The borrowing was facilitated by way of two loans from the Public Works Loan Board (PWLB) totalling £19.134m. These loans are recognised as financial liabilities and are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. There is now a new accounting policy section 8 below which outlines the accounting policies adopted for Financial Instruments.

3. 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 2017 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 2017, 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.

4. 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 (incl NNDR, Council Tax and Grants) 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.

5. 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.

6. 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. car loans) 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 (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.

7. 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 26 September 2017 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

8. Financial Instruments

Financial Liabilities: Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Note: there has been no repurchase or early settlement of borrowing in 2016/17.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Note that this will not be required in 2016/17 as there are no gains or losses or premiums or discounts available in the first year of PWLB borrowing.

Financial Assets: Financial assets are classified into two types:

1. Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
2. Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Council has no available-for-sale assets (2015/16 none)

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

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Note: the Council has no gains or losses from de-recognition as at 31 March 2017.

Financial instruments are detailed in Note 18 to the accounts.

9. 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.

10. 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 highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. 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 Useable Capital Receipts Reserve.

11. 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.

12. 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.

13. 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 because of the specialist nature of an asset, the depreciated replacement cost (DRC) is used as an estimate of fair value. 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 non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Investment properties are re-valued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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

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

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

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

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.

14. 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.

15. 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 Council's 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.

16. 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 32.

17. 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.

18. 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.

19. 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 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 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 34 for the Collection Fund Statement for financial year 2016/17.

20. 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.

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.

21. 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.

22. Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council’s fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

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

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2017/18 Code. There are no new standards in the 2017/18 Code which are likely to have a material impact upon the accounts.

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 2016/17 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 due to the amount being immaterial to the accounts and the year on year difference never being an increase greater than the £20,000 de-minimis.

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. In addition the Council has also instructed its valuers to undertake a review of all assets held in the other land and buildings category to ensure that the carrying value of assets last valued in previous years is not materially different from their current value. The review concluded that for the current value of assets valued at Depreciated Replacement Cost (DRC) there had been a significant change in values due to increases in building costs. As a result of this a desktop review of valuations was conducted for all operational assets valued on a DRC basis and the three staff properties valued at market value with residential use. At 31 March 2017 the carrying amount was uplifted. The impact was to increase the carrying value of operational buildings by £880,000.

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 2017 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 £75.4 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 £90k for every year that useful lives had to be reduced.
Pension Liability £33.3 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.	If a 0.5% decrease in the real discount rate assumption would result in an increase of 8% in the employer liability and an increase of approximate monetary amount of £8.5m.
NNDR Appeals £2.1 million	Appeals notified by the Valuation Office Agency still include a large number of appeals lodged when the government changed the appeal rules. The VOA does not provide sufficient information, all possible appeals are included for NNDR collection fund purposes. A new list cames into effect on 1 April 2017 and further estimates have been made to include an appeals provision pertaining to the new list.	Currently all appeals have been included in calculating this provision however, if some of these are unsuccessful the current provision would need to be adjusted. In this case any surplus would feed through the collection fund calculation in future years.
General Bad Debt Provision £0.6 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 £6,077.

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 2016/17.

Note 7: Note to the Expenditure and Funding Analysis 2016/17

2015/16 Gross Expenditure and Gross Income has been restated to aid comparison following the introduction of new reporting requirements in 2016/17, further information is shown in Accounting Policies Section 2, Page16

Note to the Expenditure & Funding Analysis 2016/17

Directorate	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal reporting & statutory position	Net Expenditure in the Comprehensive Income and Expenditure Statement amounts
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment	1,274	(382)	0	0	(382)	(12)	880
Community and Wellbeing	6,618	(834)	0	0	(834)	163	5,947
Strategy and Resources	3,172	(762)	0	0	(762)	371	2,781
Net Cost of Services	11,064	(1,978)	0	0	(1,978)	522	9,608
Other Income and Expenditure not charged to Services	(11,227)	922	784	197	1,903	(3,897)	(13,221)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(163)	(1,056)	784	197	(75)	(3,375)	(3,613)
	£'000						
Opening General Fund at 1 April 2016	(3,171)						
(Surplus)/Deficit	(163)						
Closing General Fund balance at 31 March 2017	(3,334)						

Note to the Expenditure & Funding Analysis 2015/16

Directorate	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal reporting & statutory position	Net Expenditure in the Comprehensive Income and Expenditure Statement amounts
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment	2,715	(287)	0	0	(287)	(1,831)	597
Community and Wellbeing	6,955	(3,689)	0	0	(3,689)	579	3,845
Strategy and Resources	1,115	418	0	0	418	(433)	1,100
Net Cost of Services	10,785	(3,558)	0	0	(3,558)	(1,685)	5,542
Other Income and Expenditure not charged to Services	(10,623)	(41)	1,208	(232)	935	(1,169)	(10,857)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	162	(3,599)	1,208	(232)	(2,623)	(2,854)	(5,315)
	£'000						
Opening General Fund balances at 1 April 2015	(3,333)						
(Surplus)/Deficit	162						
Closing General Fund balance at 31 March 2016	(3,171)						

Note 1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2. Adjustments for Pension Benefits

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- **For Financing and investment income and expenditure –**- the net interest on the defined benefit liability is charged to the CIES.

Note 3. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 8: Expenditure and Income analysed by Nature.

The authority's expenditure and income is analysed below as follows:

2015/16 £'000	Expenditure/Income	2016/17 £'000
	Expenditure /Income	
	Expenditure	
12,500	Employee benefits expenses	12,041
34,691	Other services expenses	25,644
(434)	Support Services recharges	(498)
(3,178)	Depreciation, amortisation, impairment	2,387
1,006	Interest payments	1,073
312	Precepts and Levies	525
17	Losses on the disposal of assets	0
44,914	**Total expenditure**	41,170
	Income	
(14,150)	Fees, charges and other service income	(12,428)
(196)	Interest and investment income	(884)
(6,029)	Income from Council tax, non-domestic rates, district rates, district rate income	(6,674)
(27,995)	Government grants and contributions	(22,788)
(1,859)	Movement in Investment Properties	(1,324)
0	Losses on the disposal of assets	(685)
(50,229)	**Total Income**	(44,783)
(5,315)	(Surplus) or Deficit on the Provision of Services	(3,613)

Note 9: 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 arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 9. Adjustments between accounting basis and funding basis under regulations

2015/16	Usable reserves	
	General Fund Balance £'000	Capital Receipts Reserve £'000
Adjustments to Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
▪ Pension costs (transferred to (or from) the Pensions Reserve)	1,208	0
▪ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(232)	0
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,197)	0
Total Adjustments to Revenue Resources	(1,221)	0
Adjustments between Revenue and Capital Reserves		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(632)	1,663
Adminstrative costs of non-current asset disposals (funded by a contribution from the Capital Receipt Reserve)	(0)	(21)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(291)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(479)	0
Total adjustments between Revenue and Capital Resources	(1,402)	1,642
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure	0	(756)
Application of capital grants to finance capital expenditure	0	0
Total Adjustments to Capital Resources	0	(756)
Total Adjustments	(2,623)	886

2016/17	**Usable reserves**	
	General Fund Balance £'000	**Capital Receipts Reserve £'000**
Adjustments to Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
▪ Pension costs (transferred to (or from) the Pensions Reserve)	784	0
▪ Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	197	0
▪ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	442	0
Total Adjustments to Revenue Resources	1,423	0
Adjustments between Revenue and Capital Reserves		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(737)	737
Adminstrative costs of non-current asset disposals (funded by a contribution from the Capital Receipt Reserve)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(110)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(196)	0
Total adjustments between Revenue and Capital Resources	(1,043)	737
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure	0	(812)
Application of capital grants to finance capital expenditure	(455)	0
Total Adjustments to Capital Resources	(455)	(812)
Total Adjustments	(75)	(75)

Note 10: Movements in Revenue Reserves

	Balance at 1 April 2015	Transfers		Balance at 31 March 2016	Transfers		Balance at 31 March 2017
		In	Out		In	Out	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Balances							
General Fund	3,333		(162)	3,171		163	3,334
Collection Fund Adjustment Account	91		29	120		16	136
NNDR Adjustment Account	(404)		203	(201)		(212)	(413)
Total Current Balances	**3,020**	**0**	**70**	**3,090**	**0**	**(33)**	**3,057**
Strategic Reserves							
Insurance	489	26	(42)	473	5	(20)	458
Repairs and Renewals	693	49	(294)	448	7	(117)	338
Interest Equalisation	631	0	0	631	0	0	631
VAT Reserve	227	0	(11)	216	0	0	216
Housing & Planning Delivery Grant Reserve	210	0	(34)	176	0	0	176
Property Maintenance	221	18	0	239	162	0	401
Commuted Sums	1,965	0	0	1,965	0	0	1,965
Hospital Cluster Interest	226	2	0	228	2	0	230
Corporate Project Reserve	393	1,473	(50)	1,816	18	(313)	1,521
Community Safety	86	2	0	88	1	(7)	82
Historic Buildings	3	0	0	3	0	0	3
Local Partnership Fund	3	0	0	3	25	0	28
Young People Partnership Fund	38	0	(13)	25	0	(25)	0
Yell Funds	3	0	(3)	0	0	0	0
Training Reserve	24	0	(12)	12	0	(12)	0
Prevention, Personalisation & Partnership Fund	358	180	(278)	260	61	0	321
Civic Investment Fund	45	0	(30)	15	0	(15)	0
Business rates equalisation reserve	729	255	(300)	684	180	0	864
Community Infrastructure Levy	612	1,914	0	2,526	1,309	0	3,835
Residential property acquisition fund	0	0	0	0	2,000	0	2,000
Investment property reserve	0	0	0	0	76	0	76
HIA Hardship fund	3	2	0	5	38	0	43
DFG Hardship fund	0	0	0	0			0
Total Strategic Reserves	**6,959**	**3,921**	**(1,067)**	**9,813**	**3,884**	**(509)**	**13,188**
Total Revenue Reserves	**9,979**	**3,921**	**(997)**	**12,903**	**3,884**	**(542)**	**16,245**

Note 11: Other Operating expenditure in CIES note

2015/16 £'000		2016/17 £'000
17	(Gains) /Losses on the Disposal of Non-Current Assets	(685)
(6)	**Total**	**(685)**

Note 12: Financing and Investment Income and Expenditure in CIES note

2015/16 £'000		2016/17 £'000
35	Interest Payable and Similar Charges - Finance Lease	117
971	Net Interest on the Net Defined Benefit Liability	955
(1,859)	Movement in Investment Properties	(1,324)
(810)	Other Income	(1,344)
(196)	Interest Receivable and Similar Income	(348)
(1,859)	**Total**	**(1,944)**

Note 13: 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:

2015/16 £'000		2016/17 £'000
(5,664)	Council Tax Income	(5,912)
(695)	Non Domestic Rates	(1,231)
(1,006)	Revenue Support Grant (including Council Tax Freeze Grant)	(417)
(492)	New Homes Bonus Grant *	(2,120)
(226)	Business Rate Collection Grants	(85)
(213)	NNDR- Small Business Rate Relief Grant	(219)
(196)	Business Rates Section 31 Grant	(143)
(408)	Capital Grants and Contributions	(464)
(115)	Other Grants and Contributions	0
0	New Burden Grants	(1)
(9,015)	**Total**	**(10,592)**

*The total New Homes Bonus received in year was £2.120m, however, only £362,000 was credited to services in 16/17 with the remaining being transferred to the Corporate Project Reserve. Further ring fenced grants are detailed overleaf in Note 14.

Note 14: Other Government Grants Credited to Services

In addition to Taxation and Non Specific Grant Income in Note 13 the following significant grants, contributions and donations were credited to Cost of Service in the Comprehensive Income and Expenditure Account:

2015/16 £'000		2016/17 £'000
(64)	Council Tax Support	(55)
(213)	Benefit Admin Grant	(173)
(20,458)	Rent Allowances- Housing Benefit and Rebate	(20,402)
(117)	Election	(279)
(55)	Route Call	(56)
(36)	Home Improvement Agency	(35)
0	Public-Private Partnership Funding	(180)
(167)	Other Smaller Grants	(197)
(21,110)	**Total**	**(21,377)**

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.

2015/16 £'000		2016/17 £'000
(2,829)	Other grants and Section 106 Contributions	(2,381)
(2,829)	**Total**	**(2,381)**

Note 15: 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. In line with the code of practice the Council has moved to a valuation programme that concentrates on categories of assets. In 2016/17, the Town Hall, Epsom Playhouse, Leisure facilities and car parks were valued as at 1st April 2016. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors and Wilks, Head and Eve. The properties that were revalued in 2016/17 account for £31.385 million of the gross book value of assets at 31 March 2017.

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 2016/17.

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 – 15 to 68 years
- Vehicles, plant and equipment – 1 to 39 years

Movements on Non current assets – Property, Plant & Equipment 2016/17

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 2016	**69,805**	**7,989**	**41**	**3,877**	**994**	**82,706**
Additions	112	435	117	12	1,364	2,040
Revaluation Movement Recognised in the Revaluation Reserve	1,962	0	0	0	0	1,962
Derecognition - Disposals	0	(219)	0	0	0	(219)
Impairment written out	(994)	0	0	0		(994)
Reclassified - Other Movements	402	0	0	0	(402)	0
Gross Book Carrying Value at 31 March 2017	**71,287**	**8,205**	**158**	**3,889**	**1,956**	**85,495**
Accumulated Impairment & Depreciation as at 1 April 2016	(4,827)	(3,141)	0	(942)	(402)	(9,312)
Depreciation Charge for the Year	(2,520)	(714)	0	0	0	(3,234)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	994	0	0	0	0	994
Derecognition - disposals	0	167	0	0	0	167
	(1,526)	**(547)**	**0**	**0**	**0**	**(2,073)**
Depreciation Written out to the Revaluation Reserve	1,326	0	0	0	0	1,326
Other Movements in Depreciation and Impairment	(402)	0	0	0	402	**0**
Accumulated Impairment & Depreciation as at 31 March 2017	**(5,429)**	**(3,688)**	**0**	**(942)**	**0**	**(10,059)**
TOTAL NET CARRYING BOOK VALUE at 31 March 2017	**65,858**	**4,517**	**158**	**2,947**	**1,956**	**75,436**
TOTAL NET CARRYING BOOK VALUE at 1 April 2016	**64,978**	**4,848**	**41**	**2,935**	**592**	**73,394**

Movement on Non-current assets - Property, Plant and Equipment 2015/16

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 1 April 2015	**61,502**	**7,521**	**41**	**3,330**	**2,349**	74,743
Additions	1,642	176	0	332	243	2,393
Revaluation Movement Recognised in the Revaluation Reserve	4,364	495	0	0	0	4,859
Derecognition - Disposals	0	(348)	0	0	0	(348)
Assets Reclassified	2,297	145	0	215	(1,598)	1,059
Gross Book Carrying Value at 31 March 2016	**69,805**	**7,989**	**41**	**3,877**	**994**	82,706
Accumulated Impairment & Depreciation as at 1 April 2015	(6,186)	(3,163)	0	(757)	0	(10,106)
Depreciation Charge for the Year	(1,991)	(881)	0	0	(7)	(2,879)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	1,982	0	0	0	0	1,982
Derecognition - disposals	0	903	0	0	0	903
	(9)	**22**	**0**	**0**	**(7)**	6
Depreciation Written out to the Revaluation Reserve	780	0	0	0	7	787
Other Movements in Depreciation and Impairment	588	0	0	(185)	(402)	1
Accumulated Impairment & Depreciation as at 31 March 2016	**(4,827)**	**(3,141)**	**0**	**(942)**	**(402)**	**(9,312)**
TOTAL NET CARRYING BOOK VALUE at 31 March 2016	**64,978**	**4,848**	**41**	**2,935**	**592**	**73,394**
TOTAL NET CARRYING BOOK VALUE at 1 April 2015	**55,316**	**4,358**	**41**	**2,573**	**2,349**	**64,637**

Capital Expenditure

Capital expenditure of £21.742m was incurred in 2016/17 as follows:

2015/16 £'000		2016/17 £'000
2,390	Non Current Assets - PPE	2,041
22	Investment Assets	19,213
164	Intangibles	24
423	Revenue Expenditure Funded from Capital Under Statute Written Off	464
2,999	**Total Capital Expenditure**	**21,742**

Funding of capital expenditure in 2016/17 is detailed below:

2015/16 £'000		2016/17 £'000
756	Capital Reserves	812
273	Government Grants	457
475	Revenue	197
80	Grants from Other Local Authorities	0
1,007	Contributions from Other bodies	0
408	Section 106 Receipts	1,142
0	Long Term Borrowing	19,134
2,999	**Total Capital Funding**	**21,742**

A net contribution of £197,000 was set aside from revenue to finance capital expenditure in 2016/17 compared to a £475,000 contribution in 2015/16.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2017 amounts to £53,204 as listed below.

2015/16 £'000		2016/17 £'000
47	Electronic Service Delivery	0
8	Container Replacement	0
83	Town Hall - Replacement of Boilers	0
0	Affordable Housing	29
0	Demolition of 1-3 Blenheim Road	24
14	Ewell Court House Rebuild (Fire)	0
8	Other	0
160	**Total Capital Commitments**	**53**

Disposals

There were disposals relating to Vehicles, Plant & Equipment of £52,138 in 2016/17. (£0 in 2015/16)

Assets under Construction

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

There are five assets under construction held in the balance sheet for 2016/17 totalling £1,955,653. (£592,000 in 2015/16)

Componentisation

When valuing the assets for the five-year rolling programme, the Valuer considered component accounting. There were no significant components revalued in 2016/17.

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 basis 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 2012 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000	Total Cost or Valuation £'000
Operational Assets							
Land and Buildings	0	150	900	360	33,063	31,385	**65,858**
Non-Operational Assets							
Surplus Assets	0	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 16: 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:

2015/16 £'000		2016/17 £'000
1,355	Rental Income from Investment Property	1,631
(217)	Direct Operating Expenses Arising from Investment Property	(229)
1,138	**Net gain/(loss)**	**1,402**

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.

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see section 22, page 32 of Accounting Policies for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy. There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the Huggins, Edwards & Sharp in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

2015/16 £'000		2016/17 £'000
21,066	**Balance at the Start of the Year**	**20,900**
22	Subsequent Expenditure	19,213
(1,010)	**Disposals**	0
1,880	**Net gains/(losses) from Fair Value Adjustments**	1,324
	Transfers	
(1,058)	to/from Property, plant and equipment	0
0	**Other Changes**	0
20,900	**Balance at the Year End**	**41,437**

Note 17: 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 £146,000 charged to revenue in 2016/17 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

2015/16		2016/17
Assets not Internally Generated £'000		**Assets not Internally Generated £'000**
	Balance at the start of the year	
447	Gross Carrying Amounts	585
(115)	Accumulated Amortisation	(202)
332	**Net Carrying Amount at the Start of the Year**	**383**
	Additions	
165	Purchases	24
(114)	**Amortisation for the Period**	(146)
383	**Net Carrying Value at the End of the Year**	**261**
	Comprising	
585	Gross Carrying Amounts	609
(202)	Accumulated Amortisation	(348)
383		**261**

Note 18: 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:

2015/16			2016/17	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
		Investments		
0	27,860	Loans and Receivables	0	28,879
0	**27,860**	**Total Investments**	**0**	**28,879**
		Debtors		
0	5	Loans and Receivables	7	4
0	3,514	Financial assets carried at contract amounts	0	2,918
0	**3,519**	**Total included in Debtors**	**7**	**2,922**
		Borrowings		
0	0	Financial Liabilities at amortised cost	19,134	0
0	**0**	**Total included in Borrowings**	**19,134**	**0**
		Other Long Term Liabilities		
94	116	Finance Lease Liabilities	10	84
94	**116**	**Total included in Borrowings**	**10**	**84**
		Creditors		
0	3,884	Financial Liabilities at contract amounts	0	1,965
0	**3,884**	**Total included in Creditors**	**0**	**1,965**

Material Soft Loans made by the Council

The Authority has not made any material soft loans and there are no material soft loans outstanding at the 31 March 2017.

Employee Loans

The Authority may make car loans for car purchases to employees in the Council who are in a post which requires them to drive regularly on the Council's business. The Council also provides loans for season tickets, cycles and computers. There are currently no car loans, the balance outstanding comprises various small loans with a balance of £11,451 outstanding at the 31 March 2017.

No interest is charged on the loans, the Council assesses an unsubsidised rate for such loans would be 5%.

Income, Expense, Gains and Losses

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

Financial Assets- Loans and Receivables £'000		Financial Liabilities - Measured at amortised cost £'000	Financial Assets - Loans and Receivables £'000	Total £'000
0	Interest expense	110	0	110
0	Fee expense	7	0	7
0	**Total expense in Surplus or Deficit on the Provision of Services**	**117**	**0**	**117**
(196)	Interest Income	0	(348)	(348)
(196)	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**(348)**	**(348)**
(196)	**Net (Gain)/Loss for the Year**	**117**	**(348)**	**(231)**

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	Type of Financial Asset	Maximum Investment
	Cash Equivalents	
Deposits with Money Market Funds	Goldman Sachs Deutsche Bank	£ 2.500m £ 1.400m
Global Liquidity Fund	Aberdeen Liquidity Fund	£12.479m
	Cash Equivalent Total	**£16.379m**
	Short Term Investments	
Fixed Term Deposit with Building Societies and bank	National Counties West Bromwich Progressive Lloyds Bank Nottingham	£2.500m £2.500m £2.500m £2.500m £2.500m
	Short Term Investments Total	**£12.500m**

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 £12.5m 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. All of the Authority's deposits are subject to a level of risk, however there is no evidence at the 31 March 2017 that any material risk would occur.

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

`	Amount at 31 March 2017 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31-Mar-17 %	Estimated maximum exposure to default and un-collectability at 31 March 2017 £'000	Estimated maximum exposure at 31-Mar-17 £'000
	A	B	C	(A x C)	
Deposits with Aberdeen	12,479	0	0	0	0
Goldman Sachs	2,500	0	0	0	0
Deutsche Bank	1,400	0	0	0	0
Customers	2,918	0.95%	20.83%	608	580

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 £2.9m balance £837,000 is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-16 £'000		31-Mar-17 £'000
23	Less than three months	360
479	Three to Five months	385
152	More than Five Months	92
654	**Total**	**837**

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 2017, 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	(198)
Impact on Surplus or Deficit on the Provision of Services	**(198)**
Decrease in fair value of fixed rate investment assets	(142)

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 2016/17 compared to 2015/16.

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).

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 2016 Cost and Market Valuation £'000	Short Term Investments (less than 1 year)	31 March 2017 Cost and Market Valuation £'000
0	**Balance brought forward**	**15,000**
15,000	Investment during the year	0
0	Withdrawal during the year	(2,500)
15,000	**Balance carried forward**	**12,500**

Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

All financial assets and financial liabilities held by the Authority are classified as loans and receivables and long term debtors and creditors and are carried in the Balance Sheet at amortised cost. The fair values are calculated are as follows.

31-Mar-16			31-Mar-17	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Assets		
27,865	27,865	Loans and Receivables	28,890	28,890
3,514	3,514	Financial Assets at contract amounts	2,918	2,918
31,379	**31,379**	**Total Financial Assets**	**31,808**	**31,808**

Most of the current financial assets disclosed are loans and receivables and are short term in nature, and therefore the fair value is not materially different for the book value. There is no impairment implication. Short term debtors carried are at cost less any impairment, as this is a fair approximation of their value.

31-Mar-16			31-Mar-17	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
0	0	PWLB Loans	19,134	19,134
210	210	Finance Lease Liabilities	94	94
3,884	3,884	Financial Liabilities at contract amounts	1,965	1,965
4,094	**4,094**	**Total Financial Liabilities**	**21,193**	**21,193**

The book value of financial liabilities for the long term PWLB loans is the same is the fair value as the fixed rate loans were taken out late in 2016/17 on a maturity basis and cannot be transferred or sold within the first year. PWLB do not publish fair values for loans in this criteria. Any variation in interest rate payable prevailing at Balance Sheet date will have a minimal effect on the fixed rate paid for loans. No early repayment or impairment loss can also be recognised. Financial Lease Liabilities and Short Term Creditors are carried at contracted amounts.

Note 19: Debtors

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

2015/16 £'000		2016/17 £'000
1,247	Central government bodies	886
415	Other Local Authorities	0
51	Council Tax Payers	606
74	Non Domestic Rate	109
3,271	Other Entities and individuals	2,339
5,058	**Total Debtors**	**3,940**

Long term debtors (greater than 365 days):

2015/16 £'000		2016/17 £'000
2	Staff loans	7
2	**Total**	**7**

Note 20: 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.

2015/16 £'000		2016/17 £'000
346	Cash at Bank	872
12,514	Cash Equivalents	16,379
12,860	**Cash and Cash Equivalents**	**17,251**

Note 21: Creditors

A summary of Creditors is detailed below.

2015/16 £'000		2016/17 £'000
4,151	Central Government Bodies	1,020
1,479	Other Local Authorities	1,420
291	Council Tax	833
68	Non Domestic Rate	43
5,316	Other Entities and individuals	5,735
11,305	**Total**	**9,051**

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

2015/16 £'000		2016/17 £'000
512	Balance brought forward	763
768	Additions *	355
-517	Amounts used in year	-132
763	**Balance carried forward**	**986**

*£123,000 included in Creditors in 2015/16

Note 23: Reserves

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

Reserve	Balance 2015/16 £'000	Net Movement in year £'000	Balance 2016/17 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,171)	(163)	(3,334)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(9,813)	(3,374)	(13,187)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(4,968)	75	(4,893)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total usable Reserve	**(17,952)**	**(3,462)**	**(21,414)**		
Revaluation Reserve	(33,862)	(2,294)	(36,156)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(61,492)	(1,131)	(62,623)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Collection Fund Adjustment Account	(120)	(16)	(136)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	201	212	413	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	28,059	5,234	33,293	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 32
Total Unusable Reserve	**(67,214)**	2,005	**(65,209)**		
Total Reserves	**(85,166)**	**(1,457)**	**(86,623)**		

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 2016/17 had a balance of nil (in 2015/16 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.

2015/16 £'000		2016/17 £'000
27,643	**Balance at 1 April 2016**	**33,862**
6,704	Upward revaluation of assets	2,294
(485)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
6,219	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**2,294**
0	Amount written off to the Capital Adjustment Account	**0**
33,862	**Balance at 31 March 2017**	**36,156**

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:

2015/16 £'000		2016/17 £'000
(58,779)	**Balance brought forward at 1 April 2016**	**(61,492)**
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	
897	- charges for depreciation and impairment of non-current assets	2,241
114	- amortisation of intangible assets	146
17	-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	52
1,028	**Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2015/16**	**2,439**
(57,751)	**Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year**	**(59,053)**
	Capital Financing Applied in the Year	
(756)	- use of the Capital Receipts Reserve used to finance new expenditure	(812)
(1,344)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,126)
(291)	- statutory provision for the financing of capital investment charged against the general fund	(110)
(479)	- capital expenditure charged against the General Fund	(197)
(2,870)	**Total Capital Financing Applied in 2016/17**	**(2,245)**
(870)	- movements in the market value of Investment Properties debited or credited to the Comprehensive Income and expenditure Account	(1,324)
(61,492)	**Balance Carried Forward at 31 March 2017**	**(62,623)**

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.

2015/16 £'000		2016/17 £'000
423	Revenue Expenditure funded from Capital under Statute Written Off	464
(423)	Less External Funding	(464)
0	**Funded from Capital Reserves**	**0**
114	Add Intangible Charges Written Off	146
114	**Transfer from Capital Adjustment Account**	**146**

Usable Capital Receipts Reserve

2015/16 £'000		2016/17 £'000
4,082	**Balance brought forward at 1 April**	**4,968**
1,641	Amounts receivable in year	737
(755)	Amounts applied to finance new capital investment	(812)
886	**Total Increase (decrease) in realised capital resources**	**(75)**
4,968	**Balance carried forward at 31 March**	**4,893**

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.

Pensions Reserve

Pension costs are detailed in Note 31.

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.

2015/16 £'000		2016/17 £'000
(313)	**Balance at the start of the year**	**(81)**
30	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	15
202	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	(212)
(81)	**Balance at the end of the year**	**(278)**

Note 24: Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements

2015/16 £'000	Details	2016/17 £'000
(897)	Charges for depreciation and impairment of non-current assets	(2,241)
1,880	Movements in the market value of Investment Properties	1,324
(114)	Amortisation of intangible assets	(146)
0	Revenue expenditure funded from capital under statute	(464)
(17)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	(52)
(1,208)	Pension liability and related adjustment	(784)
232	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	(197)
(183)	Increase/(Decrease) in Debtors	(1,118)
(3,310)	(Increase)/Decrease in creditors	2,254
0	Increase in Provisions	(223)
9	Increase/(Decrease) in Inventories	2
(788)	Other non-cash items	360
(4,396)	**Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements**	**(1,285)**

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

2015/16 £'000	Details	2016/17 £'000
744	Capital Grants credited to surplus or deficit on the provision of services	1,599
287	Lease rentals	0
652	Proceeds from the sale of property plant and equipment, investment property and intangible assets	737
1,683		**2,336**

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2015/16 £'000	Details	2016/17 £'000
2,559	Investment in Capital Assets	21,742
15,000	Short Term Investments	(2,500)
(409)	Capital Grants Received (Gov't)	(535)
(1,640)	Receipts from sale of assets	(737)
15,510		**17,970**

Note 26: Cashflow from Financing Activities

These are cash payments relating to finance the capital expenditure.

2015/16 £'000	Details	2016/17 £'000
287	Lease rentals	111
751	Other financing activities (NNDR shares and Council Tax Preceptors)	(776)
0	Long-term Borrowing	(19,134)
1,038		**(19,799)**

Note 27: Members' Allowances

The total amount of Members' allowances paid in 2016/17 was £164,950 (£167,278 was paid in 2015/16).

Note 28: 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 2015/16	Remuneration Range	No. of Staff 2016/17
3	£50,000 - £54,999	6
3	£55,000 - £59,999	1
2	£60,000 - £64,999	2
3	£65,000 - £69,999	2
2	£70,000 - £74,999	2
0	£75,000 - £75,999	1
1	£95,000 - £99,999	1
1	£115,000 - £119,999	1
15	**Total**	**16**

Exit Packages

The total cost of the exit packages came to £91,360 including the estimated pension strain (for those of retirement age) of £18,458. There were no exit packages paid in 2015/16.

No. of Staff 2015/16	Exit Packages	No. of Staff 2016/17
0	£0 - £19,999	14 *
0	£20,000 - £39,999	1 **
0	**Total**	**15**

* one early retirement on the grounds of efficiency, the rest were compulsory
** Voluntary

Detailed remuneration information for senior employees is set out below. The tables below show information for 2016/17 and 2015/16.

2016/17	Chief Executive £'000	Director of Finance and Resources £'000	Head of Legal Services £'000
Salary *	114	89	59
Bonuses	0	0	1
Expenses Allowances	4	3	9
Compensation for loss of office	0	0	0
Other Benefits	7	7	3
Total remuneration excluding Pension contributions	**125**	**99**	**72**
Pension Contributions	17	14	11
Total remuneration including pension contributions 2016/17	**142**	**113**	**83**

2015/16	Chief Executive £'000	Director of Finance and Resources £'000	Head of Legal Services £'000
Salary*	112	86	58
Bonuses	0	0	1
Expenses Allowances	4	3	9
Compensation for loss of office	0	0	0
Other Benefits	7	7	3
Total remuneration excluding Pension contributions	**123**	**96**	**71**
Pension Contributions	16	13	10
Total remuneration including pension contributions 2015/16	**139**	**109**	**81**

*** CEO pay includes Returning Officer fee**

Note 29: Audit Costs

In 2016/17 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2015/16 £'000		2016/17 £'000
45	Fees payable to the external auditors with regard to external audit	45
9	Fees payable to the external audit for the certification of grant claims and returns	9
54	**Balance to Income and Expenditure Account**	**54**

Note 30: Capital Financing Requirement

2015/16 £'000		2016/17 £'000
(161)	**Opening Capital Financing Requirement**	(161)
	Capital investment:	
2,151	Property, Plant and Equipment	677
22	Investment Properties	19,213
243	Assets under Construction	1,364
165	Intangible Assets	24
423	Revenue Expenditure Funded from Capital under Statute	464
	Sources of finance:	
(756)	Capital receipts	(812)
(1,769)	Government grants and other contributions	(1,599)
	Sums set aside from revenue:	
(475)	Direct revenue contributions	(197)
(4)	Finance lease identified under IFRS	0
(161)	**Closing Capital Financing Requirement**	**18,973**
0	**Increase/(decrease) in Capital Financing Requirement**	**19,134**

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

The Council has acquired a number of vehicles 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:

2015/16 £'000		2016/17 £'000
426	Vehicles, Plant, and Equipment	189

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:

2015/16 £'000		2016/17 £'000
116	Finance lease liabilities (net present value of minimum lease payments): Current	84
94	Finance lease liabilities (net present value of minimum lease payments): non- Current	10
24	Finance costs payable in future years – Interest	6
234	**Minimum lease payments**	**100**

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2015/16 £'000	**2015/16 £'000**		**2016/17 £'000**	**2016/17 £'000**
134	116	Not later than one year	89	84
100	94	Later than one year and not later than five years	11	10

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;
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement); and
- Minimum lease payments include both finance charge (interest) and lease liability (principal).

Operating Leases in (Council as Lessee)

Operating Lease Liabilities 2015/16 £'000		Operating Lease Liabilities 2016/17 £'000
37	Not later than one year	0

Operating Leases out (Council as Lessor)

In 2016/17 the Council received £1,631,000 (note 16) in rental income from its investment properties (compared to £1,355,000 in 2015/16), 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 £39,854,000 in 2016/17 (£19,390,000 in 2015/16).

The future lease payments receivable in future years are:

Lease Income at 31 March 2016 £'000		Lease Income at 31 March 2017 £'000
1,653	Not later than one year	1,686
2,662	Later than one year and not later than five years	4,503
42,955	Later than five years	78,864
47,270	**Total**	**85,053**

£29.2 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 2016/17 no contingent rents were receivable by the Authority (2015/16 £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 £47,000. Income from both leases are included within the cost of services and part of the lease income table above.

Note 32: 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:

2015/16 £'000		2016/17 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
2,137	Current service cost	1,833
	Financing and Investment Income and Expenditure	
971	Net Interest Expense	955
3,108	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**2,788**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurements	
0	Changes in demographic assumptions	(1,245)
(4,277)	Changes in financial assumptions	15,232
(1,142)	Other experience	(2,051)
1,186	Return on assets excluding amounts included in net interest	(7,486)
(4,233)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**4,450**
	Movement in Reserves Statement	
(3,108)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,788)
1,900	Employers' contributions payable to scheme	2,004

Cumulative re-measurement of the net benefit liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2017 is a gain of £4,450,000.

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 increase in liability of £5.234 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £33.3 million. The pension liability is 38% of the balance sheet net value in 2016/17 compared to 33% in 2015/16.

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 £4,450,000 (actuarial gain of £4,233,000 in 2015/16) is included in the Comprehensive Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2017 are as follows:

2015/16 £'000		2016/17 £'000
(89,702)	**1 April 2016**	(86,619)
(2,137)	Current service cost	(1,833)
(2,774)	Interest cost	(2,923)
(502)	Contribution from scheme participants	(497)
	Remeasurement gain/(loss):	
0	- actuarial gains/losses arising from changes in demographic assumptions	1,245
4,277	- actuarial gains/losses arising from changes in financial assumptions	(15,232)
1,142	- Other experience	2,051
110	Unfunded benefits paid	105
2,967	Benefits paid	3,419
(86,619)	**Estimates Liabilities in scheme 31 March 2017**	**(100,284)**
58,618	**1 April 2016**	**58,560**
1,803	Interest income	1,968
	Remeasurement gain/(loss):	
(1,186)	- return on plan assets, excluding the amount in net interest expense	7,486
1,790	Contributions from employer	1,899
502	Contributions from employees into the scheme	497
(2,967)	Benefits paid	(3,419)
58,560	**Estimates assets in scheme 31 March 2017**	**66,991**
(28,059)	**Net asset / (liability) 31 March 2017**	**(33,293)**

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

2015/16 £'000		2016/17 £'000
617	Actual return as per actuaries	9,454

The return on the fund in market value terms for the period to 31st March 2017 is estimated based on actual funds return as provided by the administering authority and Index returns where necessary.

Scheme History

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Present value of liabilities:						
Local Government Pension Scheme	(64,866)	(73,450)	(81,002)	(89,702)	(86,619)	(100,284)
Fair Value of Assets:						
Local Government Pension Scheme	44,226	50,009	52,914	58,618	58,560	66,991
Total	**(20,640)**	**(23,441)**	**(28,088)**	**(31,084)**	**(28,059)**	**(33,293)**

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 2017 is £2,498,000.

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:

2015/16		2016/17
	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	24.1
26.9	Women	26.4
2.1%	Rate of increase in pensions	2.4%
3.6%	Rate of increase in salaries	2.7%
3.4%	Rate for discounting scheme liabilities	2.5%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used.

The sensitivities in relation to the principal financial assumptions which have been used to measure the scheme liabilities are:-

- 0.5% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £8.496m (8%)
- 0.5% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £1.072m (1%)
- 0.5% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £7.312m (7%)

The principal demographic assumption is the longevity assumption (i.e. member life expectancy) purposes. It is estimated that a one year increase in life expectancy would approximately increase the Employer's defined benefit liability by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The above figures have been based on the membership profile as at the date of the most recent actuarial valuation.

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 2015/16		**Percentage of Funds Assets 2016/17**
75%	Equity Investments	68%
15%	Bonds	14%
7%	Property	6%
3%	Cash	12%
100%		**100%**

Movement in net pension liability:

2015/16 £'000		**2016/17 £'000**
(31,084)	**Opening Balance**	**(28,059)**
(2,137)	Current Service Costs	(1,833)
(971)	Net Interest Expense	(955)
1,900	Employer Contributions	2,004
4,233	Remeasurements	(4,450)
(28,059)	**Closing Balance**	**(33,293)**

Note 33: 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 £334,660 may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities as at 31 March 2017. The Insurance Reserve includes an amount to cover any future claims.

Note 34: 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. The net cost to Epsom and Ewell Borough Council was £134,000. The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2015/16 £'000	2016/17 £'000	Councillor(s) 2016/17
Age concern	16	16	Cllr Humphrey Reynolds
Citizen Advice Bureau	118	118	Cllr L Frost
Total	**134**	**134**	

Note 35: 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.

2015/16				2016/17		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
			INCOME:			
0	(51,953)	(51,953)	Council Tax Receivable	0	(54,350)	(54,350)
(23,703)	0	(23,703)	Business Rates Receivable	(23,581)	0	(23,581)
77	0	77	Transitional Protection Payments receivable	6	0	6
(23,626)	**(51,953)**	**(75,579)**	**Total Income**	**(23,575)**	**(54,350)**	**(77,925)**
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
(375)	0	(375)	Central Government	(151)	0	(151)
(300)	83	(217)	Epsom & Ewell Borough Council	(121)	74	(47)
(75)	572	497	Surrey County Council	(31)	511	480
0	101	101	Surrey Police Authority	0	90	90
			Precepts, Demands and Shares			
11,551	0	11,551	Central Government	12,013	0	12,013
9,240	5,581	14,821	Epsom & Ewell Borough Council	9,610	5,829	15,439
2,310	38,434	40,744	Surrey County Council	2,402	40,602	43,004
0	6,803	6,803	Surrey Police Authority	0	7,049	7,049
			Charges to Collection Fund			
57	108	165	Increase / (Decrease) in Bad Debt Provision	77	51	128
626	0	626	Increase / (Decrease) in Provision for Appeals	219	0	219
87	0	87	Cost of Collection	85	0	85
23,121	**51,682**	**74,798**	**Total Expenditure**	**24,103**	**54,206**	**78,309**
(505)	**(270)**	**(775)**	**(Surplus) / Deficit arising during the year**	**528**	**(144)**	**384**
1,010	**(825)**	**185**	**(Surplus) / Deficit b/fwd 1 April 2016**	**504**	**(1,095)**	**(591)**
504	**(1,095)**	**(591)**	**(Surplus) / Deficit c/fwd 31 March 2017**	**1,032**	**(1,239)**	**(207)**

			Apportionment to Preceptors/EEBC			
252	0	252	Central Government	516	0	516
202	(120)	81	Epsom & Ewell Borough Council	413	(136)	277
50	(828)	(778)	Surrey County Council	103	(937)	(834)
0	(147)	(147)	Surrey Police Authority	0	(166)	(166)
504	**(1,095)**	**(591)**		**1,032**	**(1,239)**	**(207)**

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	83.28	$6/9^{th}$	55.52
	B	685.55	$7/9^{th}$	533.21
	C	3,836.23	$8/9^{th}$	3,409.98
	D	7,594.09	$9/9^{th}$	7,594.09
	E	6,870.25	$11/9^{th}$	8,396.97
	F	4,249.41	$13/9^{th}$	6,137.89
	G	3,727.56	$15/9^{th}$	6,212.60
	H	121.73	$18/9^{th}$	243.45
Aggregate of Relevant Amounts				32,583.71
Estimated Collection Rate				98.25%
Council Tax Base				32,013.50

Non-Domestic Rates Statistics

2015/16 £'000		2016/17 £'000
59,290	Total Non-Domestic Rateable Value at year end	58,545
49.3	National Non-Domestic Rate Multiplier (Standard)	49.7

Precepting Bodies

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

2015/16 £'000		2016/17 £'000
38,434	Surrey County Council	40,602
6,803	Surrey Police	7,049
5,581	Epsom and Ewell Borough Council	5,829
50,818	**Total Precepts on Collection Fund**	**53,480**

Distribution of Council Tax Surplus

2015/16 £000		2016/17 £000
572	Surrey County Council	511
101	Surrey Police Authority	90
83	Epsom & Ewell Borough Council	74
756		**675**

Council Tax Provision for Bad Debts

2015/16 £000		2016/17 £000
532	Opening Balance	522
(10)	Increase/(Decrease) in Bad Debt Provision	(81)
522	**Balance at Year End**	**441**

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 Acting 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 2017.

   The Acting Director of Finance and Resources in his capacity as the Section 151 Officer, is responsible for the preparation and certification of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, is required to present 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 Acting 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 Acting 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

INTRODUCTION

This is the Council's Annual Governance Statement for 2016/17. It provides an opinion on the Council's governance arrangements, a review of the effectiveness of the governance statement, an update on the actions agreed in last year's statement and issues identified in 2016/17.

The Council adopted a code of corporate governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering *Good Governance in Local Government"* 2016. This framework requires that local authorities are responsible for ensuring that;

- Their business is conducted in accordance with all relevant laws and regulations.
- Public money is safeguarded and properly accounted for.
- Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.

All Councils are required to review their governance arrangements at least once a year.

REVIEW OUR EFFECTIVENESS

We have reviewed our overall effectiveness and the key points to note are:

- We have made progress in implementing the action plan from 2015/16 and identified significant issues for 2016/17.
- The Leadership Team is fully structured and assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team, The Chief Executive is Head of Paid Service, the Head of Legal & Democratic Services is the Monitoring Officer and the Chief Finance Officer is the Director of Finance & Resources. These form the Statutory Officers Group with the Head of Corporate Governance who deal with compliance issues throughout the year.
- The Council's finances are driven through the Medium Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed and the Council's financial systems and processes are regularly audited.
- The Corporate Governance Group reviews the Council's governance framework and key improvement action plans.
- The Leadership Team keeps the Council's risks under review through the Leadership Risk Register.

SCOPE OF RESPONSIBILITY

For Epsom & Ewell Borough Council our governance framework comprises our policies, plans, systems, processes, culture and values (our system of internal control) that are our intended outcomes that are defined and delivered. To deliver good governance our outcomes must be achieved whilst also acting in the public interest.

We must conduct a review, at least annually, of the effectiveness of our systems of internal control and report in our AGS. The statement must be prepared in accordance with proper practices and be reported to Committee. This document comprises our AGS for 2017.

HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council approved its Code of Corporate Governance in April 2017 which is based on the seven new principles within the Chartered Institute of Public Finance (CIPFA)/ Society for Local Authority Chief Executives (SOLACE) Framework 2016. The code summarises the Council's internal arrangements, each section looks at how the Council accounts for the principles during 2016/17. It is noted that in changing part way through the year to align our framework with the proper practices, the principles altered but the compliance shown again the new principles relates to arrangements in place both before and after. How the Council complied with the seven principles in 2016/17 is set out below.

PRINCIPLE A- Behaving with Integrity, demonstrating strong ethical values and respecting the law

The Monitoring Officer has specific responsibility for ensuring legality and investigating issues raised. The Council has a Corporate Plan for 2016 to 2020. Internal Audit carry out a risk based work plan and External Audit carry out inspections of the accounts The Council's Constitution lays out compliance with legislation and specialist legal advice and includes;
Financial Procedure Rules and Contract Standing Orders
Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy
Rules relating to Members external interests
Rules relating to Gifts and Hospitality
Codes of Conduct for Members and Employees
Scheme of Delegation to officers
Information Security Policy
Information Governance Policy
Money Laundering Policy
Whistleblowing Policy.

PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.

Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the web site. The web site also highlights all completed and approaching public consultation & staff surveys

PRINCIPLE C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

The Council's Corporate Plan for 2016 to 2020 has a key priority of supporting businesses and our local economy. The Council has an Economic Development Strategy supported by an action plan. Supporting the Medium Term Financial Strategy (MTFS) and Efficiency Plan. The Council approved a Property Investment Strategy in 2016 and the creation of a Commercial Property Acquisition Fund.

PRINCIPLE D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

The Corporate Plan is supported by a number of strategies and key performance targets for 2016/17 which are reported in the annual report. Service decisions are approved by the Leadership Team and where appropriate the relevant Committee and there is a process for making delegated decisions. The Audit, Crime & Disorder and Scrutiny Committee can take action or intervention when required. The Council seeks advice when necessary from external bodies to learn and develop.
The Council foster effective relationships with other organisations; private, public and voluntary.

PRINCIPLE E- Developing the Council's capacity, including the capability of its leadership and the individuals within it.

The Council has agreed a new Organisational Development Strategy focusing on all aspects of officers and members. A number of new initiatives have been held in 2016/17 to improve capability in managers and the Leadership Team. There has also been improved communication with staff. There have been improvements in the provision and management of projects with the implementation of a project management toolkit.

PRINCIPLE F - Managing risks and performance through robust internal control and strong public financial management.
The Council has a Risk Management Strategy and all risks are maintained at a corporate and service level. The Council has a strong history of good financial management which is closely monitored for revenue and capital. In 2016/17 the Council has gone into borrowing in order to fund the purchase of commercial property in line with its new Property Investment Strategy which provides a process for due diligence of purchases.

The Council’s IT systems are regularly audited and the Council has an IT Security & Acceptable Use Policy and IT Information Assurance Policy. Staff has received training on information governance and a number of workshops were held on maintaining information asset registers to improve how data is managed.

PRINCIPLE G - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

The Council has redesigned its web site to improve accessibility and transparency. The recommendations from all audit reports are reported to the Audit, Crime & Disorder and Scrutiny Committee and are available on the website. Key performance targets are set and all committees receive regular performance management reports in order that performance targets can be measured.

CHECKING THE EFFECTIVENESS OF OUR GOVERNANCE

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 Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitor specific areas of governance including performance management, risk management and internal audit receive the Head of Internal Audit's Year end opinion. As a Scrutiny Committee they also conduct a number of specific reviews.

Corporate Governance Group

This is an officers group that review key corporate governance issues. It reviews the Annual Governance Statement and the effectiveness of arrangements.

Statutory Officers Group

The Statutory Officers Group meets regularly which consists of key members of staff including the Head of Paid Service (Chief Executive), S151 Officer (Director of Finance & Resources) and the Monitoring Officer (Head of Legal & Democratic Services

External Audit

The Council's External Auditors, Grant Thornton review the disclosures within the Annual Governance Statement and check they are in line with the CIPFA / SOLACE guidelines and consistent with their knowledge of the Council.

Projects

Updates on key projects are regularly monitored by the Leadership Team, with regular highlight reports. Key projects are supported by project boards with actions plans to monitor performance and ensure the aims can be delivered.

Self-Assessment and Production of the AGS

A number of processes and assessments are part of the process including;

- All Heads of Service are required to complete a Divisional Assurance Statement.
- The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
- The Corporate Governance Group reviewed the process and the draft AGS.
- The Chief Executive and the Chair of Strategy and Resources sign the AGS
- Frauds reported and complaints to the Ombudsman are reviewed.
- The Head of Internal Audit's Opinion for 2016/17 is taken into account, with comments made by external audit and other external reviews. The effectiveness of the system of internal audit is reviewed annually. The Head of Internal audit's year end opinion for 2016/17 concluded that the Council has an adequate and effective framework for risk management, governance and internal control. However their work identified some further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective
- Performance and performance indicators were reviewed.

CONCLUSION

The Council is satisfied that the appropriate governance arrangements are in place however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2017/18 are listed below and these will be reviewed and monitored with a detailed action plan.

The implementation of the actions identified in 2015/16 have been monitored and are reported in further detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS .

Issues identified for 2015/16	Action taken to date
Public Sector funding reductions and on-going financial pressures	Delivering the MTFS remains challenging although there will be an underspend for 16/17. Further savings or additional income streams are required to continue to balance the budget as identified in the Efficiency Plan.
Lack of staffing and resources	The Organisational Development Strategy is being implemented . This includes a review of pay and reward support by the LGA and a new scheme will be recommended . The new service delivery plan has been developed for 2017/18 to support the corporate plan, and focus resources, identifying the critical priorities for the organization.
The Council has been through a period of change and a number of corporate governance issues have been addressed although there is further work to refine processes and procedures and monitor the impact of these changes.	The governance arrangements have been strengthened. There is a Head of Corporate Governance and a more corporate approach is being taken to policy, performance and service planning.
The Council was not fully compliant with the Procurement Regulations Act and the Transparency Agenda	An action plan is in place to ensure compliance and the procurement arrangements are being developed and will be fully implemented in 2017/18 .
A new performance framework needs to be developed to support the new Corporate Plan.	The new performance management framework is in place with clear targets and monitoring arrangements
There are a number of weaknesses in the control framework impacting on PCI (Payment Card Industry) compliance.	PCI Compliance was recently audited and given partial assurance. The call recording system has been altered to ensure compliance.
The cost of Homelessness continues to rise adding to financial pressures	A range of initiatives have been implementing resulting in a reduction in the number in temporary accommodation and this will continue to be closely monitored.
All decisions are not properly reported to Committee and reports are of inadequate standard.	The delegated authority form is being reviewed to improve controls. Training on the use of plain English has been provided.
Lack of assurance that the Council have robust	Monies collected from S106 are decreasing

arrangements, appropriate approval, and adequate controls in place for the collection of CIL and S106 monies	with more emphasis on CIL. A new procedure is being developed for allocation of the CIL community fund. The governance arrangements within planning are due to be independently reviewed in 2017.
Fraud training and awareness needs to be provided to all staff	Training has not been held due to limited resources but new resources are being made available on E-Hub
Health & Safety Risks are not effectively managed	A quarterly report is taken to the Leadership Team on H&S highlighting any concerns and meetings have been arranged with all Heads of Service.

SIGNIFICANT GOVERNANCE ISSUES 2016/17

The following significant internal controls for 2016/17 are identified below and will be monitored.

Issues identified for 2016/17	Planned Action
Ensure the workforce has adequate resilience and also has the appropriate skills to deal with future requirements and changes to the way Council's operate.	Workforce planning is being undertaken to formulate the Council's needs and further work will be undertaken to identify skills gaps. The Organisational Development Strategy is being implemented, working with the LGA to develop a pay &performance scheme.
There have been a number of governance issues identified during 2016/17 within planning. The Council is currently at risk of designation by the Secretary of State to improve planning performance.	The LGA and the Planning Advisory Services will support the Council in reviewing arrangements and agreeing an action plan
Elements of the Constitution are out of date and need to updated .	The Council's Constitution will be fully reviewed in 2017/18.
The Council has moved from debt free to external borrowing of up to £80m for property. This increases the Council's financial risk and there needs to be a robust approach in place when purchasing property and developing new service models.	A Working Group is in place to review the establishment of a Trading Company and review all future property purchases. The Property Investment Strategy will be regularly reviewed. Procedures are in place and will be further developed to ensure adequate provisions for investment property have been established to set-aside amounts for future voids/maintenance
The robustness of IT governance, data recovery and disaster recovery arrangements need to be reviewed to ensure that all IT projects are properly managed and data can be recovered.	A specialist IT Review is currently being completed and an action plan will be developed as part of an overall review of the current arrangements to ensure IT meets the Council's business needs.

Signed:

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

SUMMARY OF OUR GOVERNANCE FRAMEWORK

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that compromise the governance framework are described below. Further details can be viewed through the Council's website. The Council achieves good standards by applying the CIPFA/SOLACE principles of governance set out in the "Delivering good governance in Local Government Framework summarized below:

A summary of how we achieve compliance with these principles is set out in the following pages.

1. Legal and Constitutional Governance

a) The Constitution sets out how the council legally operates, how formal decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Key roles and responsibilities are detailed which align to a scheme of delegation which is in place to ensure accountability is clear. It clarifies the responsibility of each committee and full council.

Each agenda for a Committee or Council meeting requires members to declare any relevant interests. All agendas and minutes are made available to the public through our website.

b) Council Structure & Leadership

The Council operates a Committee system with 4 main policy committees; Strategy & Resources, Community & Well Being, Licensing and Planning Policy and the Environment Committee. A number of key decisions are referred to full Council, for all Councillors to decide. Meetings are generally open to the public.

2. Budget and Resource Setting

The Council is required to set a balance budget on an annual basis. The budget sets out how much money will be spent on services, invested in projects and the level of Council tax for individual residents. The level of Council Tax also includes tax required by Surrey County Council and Surrey Police Authority although it has no control over the amount set by these bodies.

3. Democratic Governance & Scrutiny

The Council has a set of committees, panels and boards to carry out functions. These are approved at full Council in May.

The Audit Crime & Disorder and Scrutiny Committee provide the role of an audit committee.

The Council's Regulatory and Advisory Committees include; Licensing Hearing Panel, Planning Committee, the Appointments Panel, Financial Policy Panel, Health Liaison Panel and the Human Resources Panel.

In additions the joint committees and outside bodies include; Epsom and Walton Downs Conservators, Epsom & Walton Down Consultative Committee and the Nonsuch Park Joint Management Committee.

4. Organisational Governance

Management Structure

The management structure is available on the Council's Website. The Chief Executive is the Head of Paid Service and the Head of Legal & Democratic Services is the Monitoring Officer. The S151 Officer is the Interim Director of Finance & Resources. These posts meet regularly and also as part of the Leadership Team.

Head of Paid Service – is the Chief Executive is responsible for all staff and leading an effective leadership team.

Monitoring Officer - is the Head of Legal & Democratic Services is the designated Monitoring Officer who has responsibility for ensuring compliance with established policies, procedures, laws, regulations and reporting any actual or potential breaches of the law or maladministration to full council, having first consulted with the Head of Paid Service and s151 Officer.

S151 Officer – for 2016/17 the Director of Finance & Resources was in post but recently was promoted to Chief Executive and the Head of Finance is now the acting Director of Finance & Resources

Conformance with the governance requirements of the CIPFA statement on the role of the Chief Finance Officer.

The Chief Financial Officer of the Council is the Director of Finance & Resources. This role forms part of the Council's Leadership Team and reports direct to the Chief Executive. These arrangements, both in design and in day to day practice enable the financial aspects of material business decisions to be given due weight.

The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The effectiveness of the control environment can be evidenced through the Council's recent history of financial outturns and the timeliness and quality of the financial statements and other financial returns.

The Chief Financial Officer is the Council's S151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience.in he opinion of the Chief Financial Officer, the Council's finance function is considered adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience although is reliant on agency staff to fill some vacancies that are being recruited to.

Internal Audit

Internal Audit is delivered through a Consortium with other surrey organisations and provided by and external provider RSM. They operate to the Public Sector Internal Audit Standards which is assessed every 5 years they report direct to the Audit, Crime & Disorder and Scrutiny Committee. The Council's appointed external auditor is Grant Thornton and they consider internal audit's arrangements as part of their work and they report to the Strategy & Resources Committee and Audit, Crime & Disorder and Scrutiny Committee.

Counter Fraud & Corruption Arrangements

The Council's Whistleblowing Policy is part of the Constitution which is available on the Council's website. The Council also has an Anti-Fraud and Corruption Strategy.

5. <u>Planning & Policy Framework</u>

Corporate Plan

The Council has a Corporate Plan 2016 -2020 which represents the Council's vision and priorities. Which are: **Keeping the Borough Clean and Green; Supporting the Community; Managing our Resources and Supporting Business and or Local Economy**

The Medium Term Financial Strategy and Efficiency Plan supports the delivery of Corporate Plan and is supported by a number of strategies.

6. <u>Performance Management Framework</u>

The performance management framework was reviewed in 2016/17 to reflect the new Corporate Plan. The corporate targets are set annually and reported three times a year to Committee.

The Councils performance management arrangements are monitored by the relevant committee, using a RAG system (red/amber green). Targets are set annually based on the Council's Corporate Plan. The relevant Heads of Service and Chairs of Committee are consulted on proposed target for the New Year. The Audit, Crime & Disorder Committee receive all targets. Accountability is down to the relevant Head of Service. The targets run through to the Service Delivery Plan and individual targets. Of the 57 targets for 2016/17, 76% were achieved and 24% were not achieved.

7. <u>Risk Management</u>

The Council has a Risk Management Strategy. The risks management arrangements are reported annually to Committee. The key corporate risks have been kept under review during the year by the Leadership Team and will continue to form an ongoing focus for the successful delivery of the Council's Plans. The top ten risks are regularly updated and reviewed. The service risks are managed by the Heads of Service who are responsible for taking action to mitigate these risks.

8. Stakeholder Engagement

Corporate Feedback/Complaints

The Council has a three stage procedure for recording complaints. This is clearly laid out in our procedure backed by the customer charter. The number of complaints to the Ombudsman forms part of this procedure and an annual report is received. For 2016 a total of 19 complaints were referred and 4 were upheld.

Stakeholder Communication

The Council has updated its website and the second phase will be implemented in 2017 to improve digital shift. The Council has a number of vessels to communicate to including the Borough Insight that goes to all households.

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 (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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 Acting Director of Finance and Resources and auditor

As explained more fully in the Statement of Responsibilities, the Acting Director of Finance and Resources 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement 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 present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its 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 issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined this criteria as that 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 2017.
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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Elizabeth Jackson

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

30 Finsbury Square
London
EC2P 2YU

27 September 2017

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	A capital receipt is the income received from the disposal of a capital asset, the repayment of any loan, grant or other financial assistance given for a capital purpose. The receipts can only be used to meet capital expenditure, debts or other long-term liabilities. To qualify as a capital receipt the income must exceed £10,000.

Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.
Collection Fund	A fund administered by the Council as a 'billing authority'. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Elmbridge Borough Council, Surrey Police, Claygate Parish as required by statute.
Collection Fund Adjustment Account	An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council's element of the Collection Fund balance at year-end.
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.
Depreciation	The measure of the cost of the benefit of the fixed asset that has been consumed during the 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.

Minimum Revenue Provision	The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in additional to the minimum requirement, known as a voluntary provision for debt redemption.
(National) Non-Domestic Rate(s) (NNDR)	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).
Provisions	Amounts set aside to meet probable "one-off" future liabilities or losses but where exact dates and amounts are uncertain.
Public Works Loans Board	A government body that provides loans to local authorities.
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 Expenditure funded from Capital Resources Under Statute	Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset.
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.