EPSOM & EWELL
BOROUGH COUNCIL

Audited Statement of Accounts

2015/16

CONTENTS	Page

Certificate of the Director of Finance and Resources

I certify that the statement of accounts for the financial year 2015/16 set out on pages 3 to 72 attached, presents a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Michael Smith (CPFA)

Chief Accountant (Deputy s151 Officer)

Date: 27/09/2016

Narrative Report

1. Introduction

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

The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts. 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 2015/16 are set out on pages 8 to 65 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 2016.

The Council's General Fund balance stands at £3.17m as at 31 March 2016, after contributions to strategic earmarked reserves of £2.85m for 2015/16. The Council's financial health has been maintained over 2015/16 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.

This financial year was the first since the Council reviewed its Senior Management structure at the end of 2014/15. The changes resulted in two senior officer posts being made redundant and a reallocation of responsibilities within the Senior Management Team and the creation of a Leadership Team. These changes have allowed the Council to tackle the challenging financial settlement announced in December as one team and formulate the 4 year financial plan with efficiencies and innovation to address our deficit. The change to roles within the management team took effect from the 1st April 2015, however, redundancy costs for the deleted posts were charged into 2014/15 (see note 25).

The Council's Corporate Plan is from 2012–2016. Linked to the Corporate Plan are a number of Performance Indicators designed to monitor annual progress. In 2015/16, the final year of the current Corporate Plan, a slightly different approach was adopted. Monthly monitoring of expenditure and income was introduced, generating greater scrutiny and understanding across the organisation of all budgets and potential savings. This allowed us time to review our Performance Indicators in year to create new SMART targets from 2016/17 onwards that would link into our new Corporate Plan and MTFS for 2016-2020. A number of key decisions happened in year that will allow for future stability and better ways of working, a few examples are:

- A new way of procuring our services was agreed with implementation due in early 2016/17. This will allow greater control of spend, economies of scale and expertise advice from the London Borough of Sutton.
- A property Acquisition fund has been created to tap into the potential returns from property and an alternative way of reducing our expenditure on homelessness.

- A new agency agreement is now in place for the way that we engage with our agency staff in a bid to reduce spend and have greater control across the organisation.

The Council has a new Medium Term Financial Strategy which aims to maintain the financial health of the Council whilst delivering the priorities of our new Corporate Plan. Taking into account announced cuts in Central Government funding the current Financial Strategy assumes a saving requirement of £1m for 2016/17 and a further £3.1m over the next 3 years. The Council has already identified £2.1m of savings towards this figure as part of reviews that took place in year.

Current Economic Climate

The economic crisis that has affected the global economy since the autumn of 2008 has continued to produce volatility in income received by the Council from fees and charges. In setting the 2015/16 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. The total income received from fees and charges during the year was slightly adverse when compared to budget. Any known favourable or adverse trends have been addressed in the budget setting process for 2016/17. The income received from fees and charges is very much dependant on the disposable income of individuals and therefore remains an area of concern which 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 £177,000 in 2015/16 as a result of the decrease in deposit rates and a consequence of the reduction in the Council's list of approved counterparties with which the Council places its investments in order to reduce the risk of the Council losing its investment.

The accounts detail four main statements:

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

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

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

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

2. Budget Performance 2015/16 - Council Tax Accounts

Total requirements were £1,612.69 per Band D property. This comprised £1,219.68 for Surrey County Council, £215.89 for Surrey Police and £177.12 for Epsom and Ewell Borough Council. The demand by the Council was determined after taking account of budgeted income from NNDR of

£0.97m and Revenue Support Grant of £1 million. The resultant demand on the Collection Fund amounted to £5.6 million.

The Council achieved a council tax collection rate of 98.4% (99.1% in 2014/15). 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 have set up a 'provision for appeals' to minimise the impact of these adjustments on their budget in future years. For this Council, the budget for 2015/16 for NNDR is £1.4m, the outturn is £1.3m.

3. General Fund Revenue Account

The Council's estimated budget requirement (net spend on services) reduced by 2% for 2015/16 compared to 2014/15, with the Council's estimated council tax requirement increased by £178,000 (3.3%). Net expenditure 2015/16 by Committee and by subjective analysis is below

2014/15		**2015/16**		
Actual £'000	**Committee**	**Budget £'000**	**Actual £'000**	**Variance* £'000**
1,881	Strategy and Resources Committee	2,067	1,115	(952)
2,860	Environment Committee	2,445	2,508	63
3,122	Social Committee	2,510	3,249	739
3,802	Leisure Committee	3,621	3,913	292
(2,894)	Asset Rent Landlord Account	(2,769)	(2,879)	(110)
8,771	**TOTAL**	**7,874**	**7,906**	**32**
	External Funding	(7,645)	(7,744)	(99)
	Contribution to/(from) General Fund Reserves	(229)	(162)	67
	TOTAL	**0**	**0**	**0**

Net expenditure 2015/16 by subjective description is detailed below.

2014/15		2015/16		
Actual £'000	Subjective Description	Original Budget £'000	Actual £'000	Variance* £'000
11,945	Employees	11,470	11,292	(178)
4,428	Premises related expenses	2,999	3,053	54
5,803	Supplies and services	6,319	7,398	1,079
473	Third Party payments	777	544	(233)
21,261	Transfer payments	19,265	21,553	2,288
1,653	Transport related expenses	1,513	1,480	(33)
(36,792)	Income	(34,469)	(37,414)	(2,945)
8,771	**TOTAL**	**7,874**	**7,906**	**32**

* Individual Committee variations include changes to internal recharges.

4. Contributions To / From Strategic Revenue Reserves

Included in Committee actuals is a net contribution of £162k from Strategic Revenue Reserves in 2015/16 (compared to a net contribution of £38k to reserves in 2014/15).

Net expenditure for the year was £67k less than the budgeted drawdown of £229k. Whilst this appears to suggest an underspend position it should be noted that the budgeted position did include the £229k drawdown from reserves to balance the budget and therefore does represent a reduction in our general fund reserves.

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

5. Capital Expenditure

The Council has a controlled capital expenditure programme. The net revenue costs of funding this programme and of the individual capital projects forms an integral part of the revenue budget strategy. The Council has been debt free since 31 March 1994 and had no debt outstanding at any time during the year. The lease liability is shown as a finance lease for IFRS accounting purposes. The Council spent £2,944,000 on capital schemes in 2015/16. A summary of expenditure by committee is shown below as are the sources of funding.

2014/15 Actual £'000		2015/16 Original Budget £'000	2015/16 Actual £'000	2015/16 Variance £'000
368	Strategy and Resources	1,414	415	(999)
238	Environment Committee	635	195	(440)
2,035	Social Committee	876	448	(428)
787	Leisure Committee	2,784	1,886	(898)
3,428	**TOTAL CAPITAL PROGRAMME EXPENDITURE**	**5,709**	**2,944**	**(2,765)**
57	Capital expenditure funded through revenue accounts in year		55	
3,485	**TOTAL CAPITAL EXPENDITURE**		**2,999**	

2014/15 £'000		2015/16 £'000
643	Capital Receipts	756
1,218	Revenue Contributions	419
1,567	External Contributions	1,769
3,428	**TOTAL CAPITAL PROGRAMME EXPENDITURE**	**2,944**
57	In Year Revenue Contribution	55
3,485	**TOTAL**	**2,999**

The Council generated £1,641,000 of net capital receipts during the year. The balance of the Council's usable capital reserves at 31 March 2016 is £4,968,000 (compared to £4,082,000 at 31 March 2015).

6. Pension Liability

The balance of the Council's pension liability as at 31 March 2016 is £28.059m (compared to £31.084 million at the 31 March 2015). This is a decrease of £3.025m in the year. See note 29 for further explanation. The Council offers retirement pensions to its staff under a statutory scheme and makes contributions to pension schemes on their behalf. Although the pension benefits are not payable until employees retire, the Council must account for them in the year in which the future entitlements are earned. This commitment is compared with the assets (investments) of the pension schemes and the net amount is included in the accounts as the Council's "Pensions Liability". Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, there are statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the schemes over the remaining working lives of the staff.

7. Further Information

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

Movement in Reserves statement (MIRS) for the year ended 31 March 2016

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2014	**(3,417)**	**(6,921)**	**(4,714)**	**0**	**(15,052)**	**(46,292)**	**(61,344)**
Movement in Reserves During 2014/15							
(Surplus) or Deficit on the Provision of Services	(2,923)				**(2,923)**		**(2,923)**
Other Comprehensive Income and Expenditure						(5,132)	**(5,132)**
Total Comprehensive Income and Expenditure	**(2,923)**	**0**	**0**	**0**	**(2,923)**	**(5,132)**	**(8,055)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2,969		632		**3,601**	(3,601)	
Transfers to/from Earmarked Reserves	38	(38)					
(Increase) /Decrease in 2014/15	**84**	**(38)**	**632**	**0**	**678**	**(8,733)**	**(8,055)**
Balance at 31 March 2015	**(3,333)**	**(6,959)**	**(4,082)**	**0**	**(14,374)**	**(55,025)**	**(69,399)**
Movement in Reserves During 2015/16							
(Surplus) or Deficit on the Provision of Services	(5,315)				**(5,315)**		**(5,315)**
Other Comprehensive Income and Expenditure						(10,452)	**(10,452)**
Total Comprehensive Income and Expenditure	**(5,315)**	**0**	**0**	**0**	**(5,315)**	**(10,452)**	**(15,767)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations	2,623		(886)		**1,737**	(1,737)	
Transfers to/from Earmarked Reserves	2,854	(2,854)					
(Increase) /Decrease in 2015/16	**162**	**(2,854)**	**(886)**	**0**	**(3,578)**	**(12,189)**	**(15,767)**
Balance at 31 March 2016	**(3,171)**	**(9,813)**	**(4,968)**	**0**	**(17,952)**	**(67,214)**	**(85,166)**

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

Comprehensive Income and Expenditure Statement (CIES) for Year Ended 31 March 2016

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

2014/15					2015/16		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,663	(573)	1,090	Central Services		1,897	(729)	1,168
5,540	(2,365)	3,175	Cultural and Related services		3,121	(2,340)	781
5,412	(2,636)	2,776	Environmental and Regulatory Services		5,429	(2,497)	2,932
1,630	(1,474)	156	Planning Services		1,710	(2,734)	(1,024)
1,421	(3,923)	(2,502)	Highways,Roads and Transport Services		2,753	(3,945)	(1,192)
26,046	(23,230)	2,816	Housing Services		25,678	(23,187)	2,491
1,718	(910)	808	Social Services		1,794	(735)	1,059
1,544	(1,159)	385	Corporate & Democratic Core		1,628	(2,331)	(703)
563	(215)	348	Non Distributed Costs		288	(258)	30
45,537	**(36,485)**	**9,052**	**Cost of Services**		**44,298**	**(38,756)**	**5,542**
		(6)	Other Operating Expenditure	8			17
		(2,580)	Financing and investment Income and Expenditure	9			(1,859)
		(9,389)	Taxation and Non-Specific Grant Income	10			(9,015)
		(2,923)	**(Surplus) or Deficit on Provision of Services**				**(5,315)**
		(7,003)	(Surplus)/Deficit on Revaluation of PPE Assets	19			(6,219)
		1,871	Remeasurement of net Defined Benefit / Liabilty	29			(4,233)
		(5,132)	**Other Comprehensive Income and Expenditure**				**(10,452)**
		(8,055)	**Total Comprehensive Income and Expenditure**				**(15,767)**

Balance Sheet as at 31 March 2016

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'.

2014/15 £'000		Note	2015/16 £'000
	Long-term Assets		
64,637	Total Property, Plant and Equipment	12	73,394
21,066	Investment Properties	13	20,900
722	Heritage Assets	n/a	722
332	Intangible Assets	14	383
5	Long Term Debtors	16	2
86,762	**Total Long-term Assets**		**95,401**
	Current Assets		
22	Inventories	n/a	13
5,237	Short-term Debtors	16	5,058
0	Short-term Investments	n/a	15,000
21,380	Cash and Cash Equivalents	17	12,860
26,639	**Total Current Assets**		**32,931**
	Current Liabilities		
8,744	Short-term Creditors	18	11,305
277	Lease Liability - Within One year	28	116
9,021	**Total Current liabilities**		**11,421**
	Long-term Liabilities		
31,084	Liability Related to Defined Benefit Pension Schemes	29	28,059
3,164	Capital Grants Receipts in Advance	11	2,829
512	Long-term Provisions	n/a	763
221	Deferred Liabilities	n/a	94
34,981	**Total Long-term Liabilities**		**31,745**
69,399	**NET ASSETS**		**85,166**
	TOTAL RESERVES		
(14,374)	Usable Reserves		(17,952)
(55,025)	Unusable Reserves		(67,214)
(69,399)	**Total Reserves**		**(85,166)**

2014/15 £'000	Balances and Reserves	Note	2015/16 £'000
	Usable Reserves		
(3,333)	General Fund	19	(3,171)
(6,959)	Earmarked Reserves	19	(9,813)
(4,082)	Capital Receipts Reserve	19	(4,968)
0	Capital Grants Unapplied	n/a	0
(14,374)	**Total Usable Reserves**		(17,952)
	Unusable reserves		
(27,643)	Revaluation Reserve	19	(33,862)
(58,779)	Capital Adjustment Account	19	(61,492)
(91)	Collection Fund Adjustment Account	19/32	(120)
404	NNDR Adjustment Account	19/32	201
31,084	Pensions Reserve	29	28,059
(55,025)	**Total Unusable Reserves**		(67,214)
(69,399)	**TOTAL RESERVES**		(85,166)

These Financial Statements replace the unaudited financial statements certified by Lee Duffy, Head of Finance, on 30 June 2016.

27/9/2016

Cash Flow Statement as at 31 March 2016

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.

2014/15 £'000		Note	2015/16 £'000
(2,923)	**Net (Surplus) or Deficit on the Provision of Services**	CIES	**(5,315)**
(4,179)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for Non-cash Movements	20	(4,396)
1,328	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	20	1,683
(5,774)	**Net cash flows from Operating Activities**		**(8,028)**
2,828	Net cash outflow / (inflow) from Investing Activities	21	510
1,896	Net cash outflow / (inflow) from Financing Activities	22	1,038
(1,050)	**Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period**		**(6,480)**
20,330	Cash and Cash Equivalents at the Beginning of the Period		**21,380**
1,050	Net Increase in Cash and Cash Equivalents		**6,480**
21,380	Cash and Cash Equivalents at the End of the Reporting Period	17	**27,860**

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 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require, to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the SeRCOP (Service Reporting Code of Practice - Service Expenditure Analysis) 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

2. Debtors and Creditors

Revenue and capital transactions are accounted for on an accruals basis to the extent that creditor items for goods and services provided but not paid for at 31 March 2016 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 2016, are included at the best available estimate.

The total amount of debtors in the Balance Sheet is distinguished between:

- Long Term Debtors - which are those amounts not due within the next financial year; and
- Current Assets - which are those due immediately or within the next financial year.

3. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue (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.

4. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Amortisation of intangible non-current assets attributable to the service.
- Revaluation up on assets used by the service where there are accumulated gains in the Impairment Reserve against which the gains can be written off
- Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

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

5. Employee Benefits

Benefits Payable During Employment: Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. 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 of 3.1% (based on the indicative rate of return on high quality corporate bonds as measured by the yield on the Market iBoxx Sterling Corporate Index, AA over 15 years).
- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - Quoted securities - current bid price;
    - Unquoted securities - professional estimate;
    - Unitised securities - current bid price; and
    - Property - market value.

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

1. Current service cost: The increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past Service Cost: The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3. Net interest on the net defined benefit liability: The expected increase in the present value of liabilities during the year as they move one year closer to being paid is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
4. Remeasurement on the return of plan assets: The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is

credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

5. Gains or Losses on Settlements: The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees is debited or credited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
6. Remeasurement of net defined benefit / liability: Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are debited to the Pensions Reserve.
7. Contributions Paid to the Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

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

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

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

6. Events after the Balance Sheet Date

Amounts are adjusted in the Statement of Accounts if an event arises after the Balance Sheet date which provides additional evidence of conditions that existed at that date and materially affects the amounts to be included. If an event arises after the Balance Sheet date which concerns conditions which did not exist at that date, it is disclosed in the notes to the Balance Sheet if it is of such materiality that disclosure is required for the fair presentation of the Statement of Accounts. The Statement of Accounts will be authorised by the Director of Finance and Resources on 27 September 2016 which is the date up to which events after the Balance Sheet date have been considered for this purpose.

7. Financial Instruments

Financial Instruments are detailed in Note 15 of these accounts.

8. Intangible Assets

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

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

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

9. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants 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.

10. Leases

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

The Authority as Lessee

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

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

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

The Authority as Lessor

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

11. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and past service costs with impairment losses chargeable on Assets Held for Sale.

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

12. Property, Plant and Equipment

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

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

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

Measurement: Assets are initially measured at cost, comprising:

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

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

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

- Land and operational properties are valued at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where this cannot be assessed because there is no open market for the asset 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.

13. 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.

14. 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.

15. Provisions and Contingent Liabilities

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

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

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

Contingent Liabilities: See note 30.

16. 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.

17. 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.

18. 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 32 for the Collection Fund Statement for financial year 2015/16.

19. Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors / receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once applied.

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

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

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

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

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

21. 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 following accounting policy changes are not yet reflected in the 2015-16 IFRS Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle (see Appendix A of the Invitation to Comment (ITC) on the 2016/17 Code
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details – see link below at the end of these bullets)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

The Code does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements ie there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services.

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 2015/16 financial statements the Council has a de-minimis level of £20,000 when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave has not been accrued and the amount for 2015/16 is £107k (£127k for 2014/15). This exception is taken due to the amount being immaterial to the accounts and the year on year difference never being a 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 2016 the carrying amount was uplifted. The impact was to increase the carrying value of operational buildings by £686,000.

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 2016 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 £73.4 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 £89k for every year that useful lives had to be reduced.
Pension Liability £28 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 9% in the employer liability and an increase of approximate monetary amount of £8m.
NNDR Appeals £1.9 million	Appeals notified by the Valuation Office Agency still include a large number of appeals lodged before Mar 16 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 comes into effect on 01/04/17 and further estimates will be required 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 £0.2 million	The current economic climate makes it uncertain that all the monies will be collected and an adequate allowance needs to be made for this in the measurement of these debtors. Council impair the debt wherever using a methodology and regularly write off the irrecoverable debts after all reasonable steps have been taken.	Council debt does not fluctuate heavily, however, officers have increased time to chase debtors to reduce the debts. We assess the bad debts annually and will if necessary increase the impairments and write off to CIES. For example, a 1% increase in the provision would result in an increase of £2,080.

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 2015/16.

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

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

2015/16	Usable		Unusable
	General Fund Balance Including Ear marked Reserves	Capital Receipts Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000
Balance Brought Forward	**10,292**	**4,082**	**55,025**
Surplus / (Deficit) for the Year	**5,315**		**10,452**
Adjustments Primarily Involving the Capital Adjustment Account:			
Reversal of Items Debited or Credited to the Comprehensive I&E			
Charges for Depreciation and Impairment of Non-Current Assets	897		(897)
Movements in the Market Value of Investment Properties	(1,880)	1,010	870
Amortisation of Intangible Assets	114		(114)
Capital Grants and Contributions Applied	(1,344)		1,344
Amounts of Non-Current Assets Written off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive I&E	17		(17)
Insertion of Items not Debited or Credited to the C I&E			
Statutory Provision for the Financing of Capital Investment Lease MRP	(291)		291
Capital Expenditure Charged Against the General Fund	(479)		479
Adjustments Primarily Involving the Capital Receipts Reserve:			
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	(653)	653	
Use of the Capital Receipts Reserve to Finance New Capital Expenditure		(756)	756
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	21	(21)	
Adjustments Primarily Involving the Pensions Reserve:			
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement (see Note 29)	3,108		(3,108)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(1,900)		1,900
Adjustments Primarily Involving the Collection Fund Adjustment Account:			
Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(232)		232
Total Adjustments	**(2,622)**	**886**	**1,736**
Balance Carried Forward	**12,985**	**4,968**	**67,213**

2014/15	Usable		Unusable
	General Fund Balance Including Ear marked Reserves £'000	Capital Receipts Reserve £'000	Movement in Unusable Reserves £'000
Balance Brought Forward	**10,338**	**4,714**	**46,292**
Surplus / (Deficit) for the Year	**2,923**		**5,132**
Adjustments Primarily Involving the Capital Adjustment Account:			
Reversal of Items Debited or Credited to the Comprehensive I&E			
Charges for Depreciation and Impairment of Non-Current Assets	705		(705)
Movements in the Market Value of Investment Properties	(1,569)		1,569
Amortisation of Intangible Assets	90		(90)
Capital Grants and Contributions Applied	(1,122)		1,122
Amounts of Non-Current Assets Written off on Disposal or Sale as Part of the Gain/Loss on Disposal to the Comprehensive I&E	5		(5)
Insertion of Items not Debited or Credited to the C I&E			
Statutory Provision for the Financing of Capital Investment Lease MRP	(605)		605
Capital Expenditure Charged Against the General Fund	(1,275)		1,275
Adjustments Primarily Involving the Capital Receipts Reserve:			
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	(10)	10	
Use of the Capital Receipts Reserve to Finance New Capital Expenditure		(642)	642
Adjustments Primarily Involving the Pensions Reserve:			
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Comprehensive Income and Expenditure Statement (see Note 29)	2,893		(2,893)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(1,768)		1,768
Adjustments Primarily Involving the Collection Fund Adjustment Account:			
Amount by which Council Tax Income Credited to the Comprehensive Income and Expenditure Statement is Different from Council Tax Income Calculated for the Year in Accordance with Statutory Requirements	(313)		313
Total Adjustments	**(2,969)**	**(632)**	**3,601**
Balance Carried Forward	**10,292**	**4,082**	**55,025**

Note 8: Other Operating expenditure in CIES note

2014/15 £'000		2015/16 £'000
(6)	(Gains) /Losses on the Disposal of Non-Current Assets	17
(6)	**Total**	**17**

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

2014/15 £'000		2015/16 £'000
79	Interest Payable and Similar Charges - Finance Lease	35
1,154	Net Interest on the Net Defined Benefit Liability	971
(1,569)	Movement in Investment Properties	(1,859)
(2,050)	Other Income	(810)
(194)	Interest Receivable and Similar Income	(196)
(2,580)	**Total**	**(1,859)**

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

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

2014/15 £'000		2015/16 £'000
(5,455)	Council Tax Income	(5,664)
(775)	Non Domestic Rates	(695)
(1,436)	Revenue Support Grant (including Council Tax Freeze Grant)	(1,006)
(483)	New Homes Bonus Grant *	(492)
(200)	Business Rate Collection Grants	(226)
(193)	NNDR- Small Business Rate Relief Grant	(213)
(178)	Localism Relief Grant	(196)
(503)	Capital Grants and Contributions	(408)
(150)	Other Grants and Contributions	(115)
(16)	New Burden Grants	0
(9,389)	**Total**	**(9,015)**

*The total New Homes Bonus received in year was £1.962m, however, only £492k was credited to services in 15/16 with the remaining being transferred to the Corporate Project Reserve. Further ringfenced grants are detailed overleaf in Note 11.

Note 11: Other Government Grants Credited to Services

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

2014/15 £'000		2015/16 £'000
(117)	Council Tax Support	(64)
(244)	Benefit Admin Grant	(213)
(20,216)	Rent Allowances- Housing Benefit and Rebate	(20,458)
(143)	Election	(117)
(55)	Route Call	(55)
(52)	Home Improvement Agency	(36)
(193)	Other Smaller Grants	(167)
(21,201)	**Total**	**(21,110)**

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.

2014/15 £'000		2015/16 £'000
(3,164)	Other grants and Section 106 Contributions	(2,829)
(3,164)	**Total**	**(2,829)**

Note 12: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio was first valued as at 1 April 1994 with all properties subject to a rolling five year revaluation, with approximately one fifth of properties being revalued each year. In line with the code of practice the Council has moved to a valuation programme that concentrates on categories of assets. In 2015/16, the Leisure facilities were valued as at 1st April 2016, along with the Depot, the Social Centres and the public toilets. These valuations were completed by Huggins, Edwards and Sharp, Chartered Surveyors and Wilks, Head and Eve. At 31st March 2016, the remainder of the portfolio was subject to a desktop valuation exercise. The properties that were revalued in 2015/16 account for £65million of the net book value of assets at 31 March 2016.

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 2015/16.

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 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 1st 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 1st 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 31st March 2016	(4,827)	(3,141)	0	(942)	(402)	(9,312)
TOTAL NET CARRYING BOOK VALUE at 31st March 2016	64,978	4,848	41	2,935	592	73,394
TOTAL NET CARRYING BOOK VALUE at 1st April 2015	55,316	4,358	41	2,573	2,349	64,637

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

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

Capital Expenditure

Capital expenditure of £2,999,000 was incurred in 2015/16 as follows:

2014/15 £'000		2015/16 £'000
2,867	Non Current Assets - PPE	2,390
10	Investment Assets	22
163	Intangibles	164
445	Revenue Expenditure Funded from Capital Under Statute Written Off	423
3,485	**Total Capital Expenditure**	**2,999**

Funding of capital expenditure in 2015/16 is detailed below:

2014/15 £'000		2015/16 £'000
643	Capital Reserves	756
245	Government Grants	273
1,275	Revenue	475
10	Grants from Other Local Authorities	80
619	Contributions from Other bodies	1,007
693	Section 106 Receipts	408
3,485	**Total Capital Funding**	**2,999**

A net contribution of £475,000 was set aside from revenue to finance capital expenditure in 2015/16 compared to a £1,275,000 contribution in 2014/15.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2016 amounts to £160,000 as listed below.

2014/15 £'000		2015/16 £'000
26	Electronic Service Delivery	47
12	Car Park Barriers	0
0	Container Replacement	8
8	Further LED lighting repl-var sites	0
11	Town Hall - Replacement of Boilers	83
97	New Paths on Epsom Common	0
116	QEII Parks Improvements	0
1,201	Ewell Court House Rebuild (Fire)	14
10	Other	8
1,481	**Total Capital Commitments**	**160**

Disposals

There were no disposals 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 two assets under construction held in the balance sheet for 2015/16 totalling £592,000. (£2,349,000 in 2014/15)

Componentisation

When valuing the assets for the five-year rolling programme, the Valuer considered component accounting. There were significant components revalued when updating the Rainbow Centre valuation in 2015/16.

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	Total Cost or Valuation £'000
Operational Assets						
Land and Buildings	0	600	1,550	22,419	40,409	**64,978**
Non-Operational Assets						
Surplus Assets	0	0	0	0	0	**0**

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

Note 13: Investment Properties

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

2014/15 £'000		2015/16 £'000
1,344	Rental Income from Investment Property	1,355
(169)	Direct Operating Expenses Arising from Investment Property	(217)
1,175	**Net gain/(loss)**	**1,138**

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.

Disposals

There was one disposal in 2015/16. An investment property, Downs House, was sold on 21 August 2015 for £1,010,000.

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 21, page 25 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 2016 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.

2014/15 £'000		2015/16 £'000
19,487	**Balance at the Start of the Year**	**21,066**
10	Subsequent Expenditure	22
	Disposals	(1,010)
1,569	**Net gains/(losses) from Fair Value Adjustments**	1,880
	Transfers	
	to/from Property, plant and equipment	(1,058)
	Other Changes	
21,066	**Balance at the Year End**	**20,900**

Note 14: Intangible Assets

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

All software is given a finite useful life of 4 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £114,000 charged to revenue in 2015/16 was charged to the IT administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The table reflects the writing out of £26,000 of assets that were fully depreciated by the end of 2015/16.The movement on Intangible Assets balances during the year is as follows:

2014/15		2015/16
Assets not Internally Generated £'000		**Assets not Internally Generated £'000**
	Balance at the start of the year	
362	Gross Carrying Amounts	447
(102)	Accumulated Amortisation	(115)
260	**Net Carrying Amount at the Start of the Year**	**332**
	Additions	
163	Purchases	165
(91)	**Amortisation for the Period**	(114)
332	**Net Carrying Value at the End of the Year**	**383**
	Comprising	
447	Gross Carrying Amounts	585
(115)	Accumulated Amortisation	(202)
332		**383**

Note 15: Financial Instruments

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

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

2014/15			2015/16	
Long Term £'000	Current £'000		Long Term £'000	Current £'000
221	4,458	Financial Liabilities at Amortised Cost	94	4,000
221	**4,458**	**Total Borrowings**	**94**	**4,000**
0	25,035	Loans and Receivables	0	31,379
	25,035	**Total Investments**	**0**	**31,379**

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

Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets
	Liabilities Measured at Amortised Cost £'000	Loans and Receivables £'000
Interest Income	0	196
Net Gain/(Loss) for the Year	**0**	**196**

Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central Treasury Team, under policies approved by Strategy & Resources Committee in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management including written policies.

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

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

Financial Asset Category	Criteria	Maximum Investment
Deposits with Money Market Funds	Current Investments Goldman Sachs: rated AAA	£2.5m
Fixed Term Deposit with Building Societies	National Counties	£2.5m
	West Brom	£2.5m
	Progressive	£2.5m
	Newcastle	£2.5m
	Principality	£2.5m
	Nottingham	£2.5m

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £15m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

	Amount at 31 March 2016 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31-Mar-16 %	Estimated maximum exposure to default and un-collectability at 31 March 2016 £'000	Estimated maximum exposure at 31-Mar-16 £'000
	A	B	C	(A x C)	
Deposits with SWIP	11,414	0	0	0	0
Goldman Sachs	1,100	0	0	0	0
Customers	3,109	0.88%	18.64%	580	194

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 £3.1m balance £654,000 is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-15 £'000		31-Mar-16 £'000
306	Less than three months	23
15	Three to Five months	479
171	More than Five Months	152
492	**Total**	**654**

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 2016, 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	(236)
Impact on Surplus or Deficit on the Provision of Services	**(236)**
Decrease in fair value of fixed rate investment assets	(67)

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 2015/16 compared to 2014/15.

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 2015 Cost and Market Valuation £'000		31 March 2016 Cost and Market Valuation £'000
0	**Balance B/F**	**0**
0	Investment / (Withdrawal) During the year	15,000
0	**Balance C/F**	**15,000**

Note 16: Debtors

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

2014/15 £'000		2015/16 £'000
1,343	Central government bodies	1,247
443	Other Local Authorities	415
55	Council Tax Payers	51
60	Non Domestic Rate	74
3,336	Other Entities and individuals	3,271
5,237	**Total Debtors**	**5,058**

Long term debtors (greater than 365 days):

2014/15 £'000		2015/16 £'000
5	Staff car loans	2
5	**Total**	**2**

Note 17: Cash and Cash Equivalents

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management. The Council had no net debt as at the 31 March 2016 or at any point during the year.

31 March 2015 £'000		31 March 2016 £'000
820	Cash at Bank	346
20,560	Short-term Current Asset Investments	12,514
21,380	**Cash and Cash Equivalents**	**12,860**
0	Short Term Investments	15,000
21,380	**Net Funds / (Debt) for cashflow**	**27,860**

Note 18: Creditors

A summary of creditors is detailed below.

2014/15 £'000		2015/16 £'000
834	Central Government Bodies	4151
1,636	Other Local Authorities	1,479
82	Council Tax	291
145	Non Domestic Rate	68
6,047	Other Entities and individuals	5,316
8,744	**Total**	**11,305**

Note 19: Usable/Unusable Reserves

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

Reserve overview:

Reserve	Balance 2014/15 £'000	Net Movement in year £'000	Balance 2015/16 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,333)	162	(3,171)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement
Strategic Reserves	(6,959)	(2,854)	(9,813)	Earmarked resources to provide funding for specific areas	Detailed in this note below
Capital Receipts Reserve	(4,082)	(886)	(4,968)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total usable Reserve	**(14,374)**	**(3,578)**	**(17,952)**		
Revaluation Reserve	(27,643)	(6,219)	(33,862)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(58,779)	(2,713)	(61,492)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Collection Fund Adjustment Account	(91)	(29)	(120)	Balance held on collection fund and NNDR AC	Detailed in this note below/ Note 32
NNDR Adj Account	404	(203)	201	Balance held on collection fund and NNDR AC	Detailed in this note below/ Note 32
Pensions Reserve	31,084	(3,025)	28,059	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 29
Total Unusable Reserve	**(55,025)**	**(12,189)**	**(67,214)**		
Total Reserves	**(69,399)**	**(15,767)**	**(85,166)**		

The movements in these reserves are detailed individually overleaf.

Movements in Revenue Reserves

	Balance at 1 April 2014	Transfers		Balance at 31 March 2015	Transfers		Balance at 31 March 2016
		In	Out		In	Out	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Balances							
General Fund	3,417		(84)	3,333		(162)	3,171
Collection Fund Adjustment Account	57	34		91		29	120
NNDR Adjustment Account	(682)	278		(404)		203	(201)
Total Current Balances	**2,792**	**312**	**(84)**	**3,020**	**0**	**70**	**3,090**
Strategic Reserves							
Insurance	547	5	(63)	489	26	(42)	473
Repairs and Renewals	744	37	(88)	693	49	(294)	448
Interest Equalisation	665	0	(34)	631	0	0	631
VAT Reserve	172	55	0	227	0	(11)	216
Housing & Planning Delivery Grant Reserve	210	0	0	210	0	(34)	176
Property Maintenance	250	2	(31)	221	18	0	239
Commuted Sums	1,965	0	0	1,965	0	0	1,965
Hospital Cluster Interest	224	2		226	2	0	228
Corporate Project Reserve	919	1,364	(1,890)	393	1,473	(50)	1,816
Community Safety	87	2	(3)	86	2	0	88
Historic Buildings	3	0	0	3	0	0	3
Local Partnership Fund	3	0	0	3	0	0	3
Young People Partnership Fund	49		(11)	38	0	(13)	25
Yell Funds	3	0	0	3	0	(3)	0
Training Reserve	29		(5)	24	0	(12)	12
Prevention, Personalisation & Partnership Fund	291	180	(113)	358	180	(278)	260
Civic Investment Fund	75		(30)	45	0	(30)	15
Business rates equalisation reserve	685	331	(287)	729	255	(300)	684
Community Infrastructure Levy	0	612	0	612	1,914	0	2,526
Other	0	3	0	3	2		5
Total Strategic Reserves	**6,921**	**2,593**	**(2,555)**	**6,959**	**3,921**	**(1,067)**	**9,813**
Total Revenue Reserves	**9,713**	**2,905**	**(2,639)**	**9,979**	**3,921**	**(997)**	**12,903**

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 2015/16 had a balance of nil (in 2014/15 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.

2014/15 £'000		2015/16 £'000
20,640	**Balance at 1st April**	**27,643**
7,004	Upward revaluation of assets	6,704
(1)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(485)
7,003	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**6,219**
0	**Amount written off to the Capital Adjustment Account**	**0**
27,643	**Balance at 31st March**	**33,862**

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:

2014/15 £'000		2015/16 £'000
(54,365)	**Balance brought forward at 1st of April**	**(58,779)**
	Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	
705	- charges for depreciation and impairment of non-current assets	897
90	- amortisation of intangible assets	114
5	-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	17
800	**Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement in 2015/16**	**1,028**
(53,566)	**Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year**	**(57,751)**
	Capital Financing Applied in the Year	
(642)	- use of the Capital Receipts Reserve used to finance new expenditure	(756)
(1,122)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,344)
(605)	- statutory provision for the financing of capital investment charged against the general fund	(291)
(1,275)	- capital expenditure charged against the General Fund	(479)
(3,644)	**Total Capital Financing Applied in 2015/16**	**(2,870)**
(1,569)	- movements in the market value of Investment Properties debited or credited to the Comprehensive Income and expenditure Account	(870)
(58,779)	**Balance Carried Forward at 31 March 2016**	**(61,492)**

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.

2014/15 £'000		2015/16 £'000
445	Revenue Expenditure funded from Capital under Statute Written Off	423
(445)	Less External Funding	(423)
0	**Funded from Capital Reserves**	**0**
90	Add Intangible Charges Written Off	114
90	**Transfer from Capital Adjustment Account**	**114**

Usable Capital Receipts Reserve

2014/15 £'000		2015/16 £'000
4,714	**Balance brought forward at 1 April**	**4,082**
10	Amounts receivable in year	1,641
(642)	Amounts applied to finance new capital investment	(755)
(632)	**Total Increase (decrease) in realised capital resources**	**886**
4,082	**Balance carried forward at 31 March**	**4,968**

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

Pensions Reserve

Pension costs are detailed in Note 29.

Council Tax Collection Fund Adjustment Account and NNDR Adjustment Account

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

2014/15 £'000		2015/16 £'000
(625)	**Balance at the start of the year**	**(313)**
33	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	30
279	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	202
(313)	**Balance at the end of the year**	**(81)**

Note 20: Cashflow from Operating Activities include the following

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

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

2014/15 £'000	Details	2015/16 £'000
(709)	Charges for depreciation and impairment of non-current assets	(897)
1,569	Movements in the market value of Investment Properties	1,880
(90)	Amortisation of intangible assets	(114)
0	Revenue expenditure funded from capital under statute	0
0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E	(17)
(1,125)	Pension liability and related adjustment	(1,208)
312	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	232
(225)	Increase/(Decrease) in Debtors	(183)
(2,823)	(Increase)/Decrease in creditors	(3,310)
36	(Increase)/Decrease in Inventories	9
(1,124)	Other non-cash items	(788)
(4,179)	**Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements**	**(4,396)**

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

These are receipts and payments as part of the surplus or deficit on the CIES on the capital activities of the council such as non-current assets purchases disposal capital grants etc.

2014/15 £'000	Details	2015/16 £'000
713	Capital Grants credited to surplus or deficit on the provision of services	744
605	Lease rentals	287
10	Proceeds from the sale of property plant and equipment, investment property and intangible assets	652
1,328		**1,683**

Note 21: Cashflow from Investing Activities

2014/15 £'000	Details	2015/16 £'000
3,507	Purchase of assets	2,559
(669)	Capital Grants Received (Gov't)	(409)
(10)	Receipts from sale of assets	(1,640)
2,828		**510**

Note 22: Cashflow from Financing Activities

2014/15 £'000	Details	2015/16 £'000
605	Lease rentals	287
1,291	Other financing activities (NNDR shares and Council Tax Preceptors)	751
1,896		**1,038**

Note 23: Amounts Reported for Resource Allocation Decisions (Segmental Reporting)

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

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

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

The segmental reporting tables are detailed on the following 2 pages starting with 2015/16:

2015/16	Environment Committee £'000	Leisure Committee £'000	Social Committee £'000	Strategy and Resources £'000	Asset Rent £'000	Grand Total £'000
Fees, Charges and Other Service income	(6,090)	(1,707)	(2,181)	(1,055)		(11,033)
Government Grants and contributions	(312)	(733)	(352)	(24,985)		(26,382)
	(6,402)	**(2,440)**	**(2,533)**	**(26,040)**	**0**	**(37,415)**
Employees	3,334	1,425	1,822	4,711		11,292
Other Operating expenses	2,994	3,183	3,028	25,258		34,463
Support services Recharges	1,531	588	756	(3,309)		(434)
Depreciation, amortisation and Impairment	1,051	1,157	176	495	(2,879)	0
	8,910	**6,353**	**5,782**	**27,155**	**(2,879)**	**45,321**
Cost of Services	**2,508**	**3,913**	**3,249**	**1,115**	**(2,879)**	**7,906**

Reconciliation to net cost of Services in Comprehensive Income and expenditure account 2015/16	
	£000's
Cost of Services in Service Analysis	7,906
Net expenditure of services and support services not included in the Analysis	(291)
Amounts in the CIE Statement not reported to management in the Analysis	321
Amounts included in the Analysis not included in the CIE Statement	(2,394)
Cost of Services on Comprehensive Income and Expenditure Statement	**5,542**

Values 2015/16	Service Expenditure £'000	Services not in analysis £'000	Not Reported to management £'000	Reported to management Not Included in Net cost of services £'000	Net Cost of services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service income	(11,033)	0	0	(1,648)	(12,681)	(99)	(13,498)
Interest and Investment income	0	0	0	1,859	1,859	(1,859)	0
Income from Council Tax	0	0	30		30	(30)	0
Government Grants and contributions	(26,382)	0	0		(26,382)	(8,885)	(34,550)
	(37,415)	**0**	**30**	**211**	**(37,174)**	**(10,873)**	**(48,048)**
Employees	11,292	0	0	1,208	12,500		12,500
Other Operating expenses	34,463	(291)	291		34,463		34,463
Support services Recharges	(434)	0	0	0	(434)		(434)
Depreciation, amortisation and Impairment	0	0	0	(3,178)	(3,178)		(3,178)
Capital receipts	0	0	0	(652)	(652)	0	(652)
(Profit)/ Loss on sale of non current assets	0	0	0	17	17	17	34
	45,321	**(291)**	**291**	**(2,605)**	**42,716**	**17**	**42,733**
(Surplus) or Deficit on Provision of services 2015/16	**7,906**	**(291)**	**321**	**(2,394)**	**5,542**	**(10,856)**	**(5,315)**

Previous financial year Segmental reporting (2014/15):

2014/15	Environment Committee £'000	Leisure Committee £'000	Social Committee £'000	Strategy and Resources £'000	Asset Rent £'000	Grand Total £'000
Fees, Charges and Other Service income	(6,187)	(1,676)	(1,753)	(1,497)		(11,113)
Government Grants and contributions	(179)	(806)	(562)	(23,690)		(25,237)
	(6,366)	**(2,482)**	**(2,315)**	**(25,187)**	**0**	**(36,350)**
Employees	3,444	1,245	1,629	5,627		11,945
Other Operating expenses	3,005	3,342	2,817	24,454		33,618
Support services Recharges	1,566	668	824	(3,500)		(442)
Depreciation, amortisation and Impairment	1,211	1,029	167	487	(2,894)	0
	9,226	**6,284**	**5,437**	**27,068**	**(2,894)**	**45,121**
Cost of Services	**2,860**	**3,802**	**3,122**	**1,881**	**(2,894)**	**8,771**

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

Values 2014/15	Service Expenditure £'000	Services not in analysis £'000	Not Reported to management £'000	Reported to management Not Included in Net cost of services £'000	Net Cost of services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service income	(11,113)	0	0	(1,110)	(12,223)	(149)	(12,372)
Interest and Investment income	0	0	0	2,580	2,580	(2,580)	0
Income from Council Tax	0	0	34	0	34	(34)	0
Government Grants and contributions	(25,237)	0	0	0	(25,237)	(8,845)	(34,082)
	(36,350)	**0**	**34**	**1,470**	**(34,846)**	**(11,608)**	**(46,454)**
Employees	11,945	0	0	1,125	13,070	0	13,070
Other Operating expenses	33,618	(605)	605	1,222	34,840	0	34,840
Support services Recharges	(442)	0	0	0	(442)	0	(442)
Depreciation, amortisation and Impairment	0	0	0	(3,556)	(3,556)	0	(3,556)
Capital receipts	0	0	0	(10)	(10)	(10)	(20)
(Profit)/ Loss on sale of non current assets	0	0	0	(4)	(4)	(357)	(361)
	45,121	**(605)**	**605**	**(1,223)**	**43,898**	**(367)**	**43,531**
(Surplus) or Deficit on Provision of services	**8,771**	**(605)**	**639**	**247**	**9,052**	**(11,975)**	**(2,923)**

Note 24: Members' Allowances

The total amount of Members' allowances paid in 2015/16 was £167,278 (£157,000, was paid in 2014/15).

Note 25: Executive Remuneration Bands and Exit Packages

For this purpose, remuneration means all amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

No. of Staff 2014/15	Remuneration Range	No. of Staff 2015/16
4	£50,000 - £54,999	3
2	£55,000 - £59,999	3
2	£60,000 - £64,999	2
3	£65,000 - £69,999	3
2	£70,000 - £74,999	2
1	£90,000 - £94,999	0
1	£95,000 - £99,999	1
1	£115,000 - £119,999	1
16	**Total**	**15**

Exit Packages

For the financial year 2015/16 the Council paid no exit packages. In 2014/15 the Council paid £264,412 in exit packages.

Detailed remuneration information for senior employees is set out below. The tables below show information for 2015/16 and 2014/15.

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
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**

* These include election payments

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

Note 26: Audit Costs

In 2015/16 Epsom and Ewell Borough Council incurred the following fees relating to external audit and inspection:

2014/15 £'000		2015/16 £'000
59	Fees payable to the external auditors with regard to external audit	45
13	Fees payable to the external audit for the certification of grant claims and returns	9
72	**Balance to Income and Expenditure Account**	**54**

Note 27: Capital Financing Requirement

2014/15 £'000		2015/16 £'000
(161)	**Opening Capital Financing Requirement**	**(161)**
	Capital investment	
739	Property, Plant and Equipment	2,151
10	Investment Properties	22
2,349	Assets under Construction	243
163	Intangible Assets	165
445	Revenue Expenditure Funded from Capital under Statute	423
	Sources of finance	
(643)	Capital receipts	(756)
(1,567)	Government grants and other contributions	(1,769)
	Sums set aside from revenue:	
(1,275)	Direct revenue contributions	(475)
(221)	Finance lease identified under IFRS	(4)
(161)	**Closing Capital Financing Requirement**	**(161)**
0	**Increase/(decrease) in Capital Financing Requirement**	**0**

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

Note 28: Finance and Operating Leases

Finance Leases in (Council as Lessee):

The Council has acquired a number of vehicles 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:

2014/15 £'000		2015/16 £'000
773	Vehicles, Plant, and Equipment	426

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:

2014/15 £'000		2015/16 £'000
277	Finance lease liabilities (net present value of minimum lease payments): Current	116
221	Finance lease liabilities (net present value of minimum lease payments): non- Current	94
55	Finance costs payable in future years – Interest	24
553	**Minimum lease payments**	**234**

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2014/15 £'000	2014/15 £'000		2015/16 £'000	2015/16 £'000
310	277	Not later than one year	134	116
230	221	Later than one year and not later than five years	100	94

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 2014/15 £'000		Operating Lease Liabilities 2015/16 £'000
31	Not later than one year	37

Operating Leases out (Council as Lessor)

In 2015/16 the Council received £1,355,000 (note 13) in rental income from its investment properties (compared to £1,344,000 in 2014/15), 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 £19,390,000 (18,484,000 in 2014/15).

The future lease payments receivable in future years are:

Lease Income at 31 March 2015 £'000		Lease Income at 31 March 2016 £'000
1,410	Not later than one year	1,653
2,296	Later than one year and not later than five years	2,662
41,275	Later than five years	42,955
44,981	**Total**	**47,270**

£30 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 no contingent rents were receivable by the Authority (2014/15 £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 £186,000 per annum. The lease with Surrey Police is for ten years commencing January 2012 with an annual value of £96,000. Income from both leases are included within the cost of services and part of the lease income table above.

Note 29: Pension Costs

Participation in Pension Schemes

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

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

Transactions Relating to Retirement Benefits

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

2014/15 £'000		2015/16 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
1,739	Current service cost	2,137
	Financing and Investment Income and Expenditure	
1,154	Net Interest Expense	971
2,893	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**3,108**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurements	
0	Changes in demographic assumptions	0
7,532	Changes in financial assumptions	(4,277)
(694)	Other experience	(1,142)
(4,967)	Return on assets excluding amounts included in net interest	1,186
1,871	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(4,233)**
	Movement in Reserves Statement	
(2,893)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,108)
1,768	Employers' contributions payable to scheme	1,900

Cumulative remeasurement of the net benefit liability recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a gain of £4,233,000.

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 decrease in liability of £3 million has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in an overall balance of £28.1 million. The pension liability is 33% of the balance sheet net value in 2015/16 compared to 44% in 2014/15.

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 gain of £4,233,000 (actuarial losses of £1,871,000 in 2014/15) is included in the Comprehensive Income and Expenditure Account.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2016 are as follows:

Reconciliation of Present value of Scheme Assets and Liabilities

2014/15 £'000		2015/16 £'000
(81,002)	**1 April 2015**	(89,702)
(1,739)	Current service cost	(2,137)
(3,290)	Interest cost	(2,774)
(508)	Contribution from scheme participants	(502)
	Remeasurement gain/(loss):	
0	- actuarial gains/losses arising from changes in demographic assumptions	0
(7,532)	- actuarial gains/losses arising from changes in financial assumptions	4,277
694	- Other experience	1,142
109	Unfunded benefits paid	110
3,566	Benefits paid	2,967
(89,702)	**Estimates Liabilities in scheme 31 March 2016**	**(86,619)**
52,914	**1 April 2015**	**58,618**
2,136	Interest income	1,803
	Remeasurement gain/(loss):	
4,968	- return on plan assets, excluding the amount in net interest expense	(1,186)
1,658	Contributions from employer	1,790
508	Contributions from employees into the scheme	502
(3,566)	Benefits paid	(2,967)
58,618	**Estimates assets in scheme 31 March 2016**	**58,560**
(31,084)	**Net asset / (liability) 31 March 2016**	**(28,059)**

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

2014/15 £'000		2015/16 £'000
7,104	Actual return as per actuaries	617

The return on the fund in market value terms for the period to 31st March 2016 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
Present value of liabilities:					
Local Government Pension Scheme	(64,866)	(73,450)	(81,002)	(89,702)	(86,619)
Fair Value of Assets:					
Local Government Pension Scheme	44,226	50,009	52,914	58,618	58,560
Total	**(20,640)**	**(23,441)**	**(28,088)**	**(31,084)**	**(28,059)**

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 £2,123,000.

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:

2014/15		2015/16
	Longevity at 65 for current pensioners:	
22.5	Men	22.5
24.6	Women	24.6
	Longevity at 65 for future pensioners:	
24.5	Men	24.5
26.9	Women	26.9
2.1%	Rate of increase in pensions	2.1%
3.5%	Rate of increase in salaries	3.6%
3.1%	Rate for discounting scheme liabilities	3.4%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

Percentage of Funds Assets 2014/15		Percentage of Funds Assets 2015/16
78%	Equity Investments	75%
14%	Bonds	15%
6%	Property	7%
2%	Cash	3%
100%		**100%**

Movement in net pension liability:

2014/15 £'000		2015/16 £'000
(28,088)	**Opening Balance**	**(31,084)**
(1,739)	Current Service Costs	(2,137)
(1,154)	Net Interest Expense	(971)
1,768	Employer Contributions	1,900
(1,871)	Remeasurements	4,233
(31,084)	**Closing Balance**	**(28,059)**

Note 30: Contingent Liabilities

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

The Council has been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd the amount subject to levy is £334,111 may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities as at 31/03/2016. The Insurance Reserve includes an amount to cover any future claims.

Note 31: Related Parties

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

UK Central Government has effective control over general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates. UK Central Government provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. council tax bills and housing benefits). These transactions are listed in the Primary statements and supporting notes.

Members of the Council have direct control over the Council's financials and operating policies. During 2015/16 the Council made grant payments of £134k to two voluntary organisations. The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	**2014/15 £'000**	**2015/16 £'000**	**Councillor(s) 2015/16**
Age concern	16	16	Cllr Humphrey Reynolds
Citizen Advice Bureau	117	118	Cllr Peter Webb
Carers of Epsom	15	0	
Total	**148**	**134**	

Note 32: Collection Fund Income and Expenditure Account

This account reflects the statutory requirements for the Epsom and Ewell Borough Council, as the billing Authority, to maintain a separate Collection Fund. The Fund shows the transactions in relation to the Council Tax and Non-Domestic Rates, and sets out the way in which these have been distributed between the General Fund, Surrey County Council and Surrey Police Authority (the preceptors). Council Tax is the means of raising income from local residents to pay for council services. Under the new Business Rate Retention Scheme local authorities retain 40% of income collected on local Business Rates. Of the remainder, 50% is passed over to the Government and 10% to the County. This account sets out the income and the shares between the preceptors.

2014/15				2015/16		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
			INCOME:			
0	(50,048)	(50,048)	Council Tax Receivable	0	(51,953)	(51,953)
(22,895)	0	(22,895)	Business Rates Receivable	(23,703)	0	(23,703)
116	0	116	Transitional Protection Payments receivable	77		77
(22,779)	**(50,048)**	**(72,827)**	**Total Income**	**(23,626)**	**(51,953)**	**(75,579)**
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
(228)	0	(228)	Central Government	(375)	0	(375)
(183)	52	(131)	Epsom & Ewell Borough Council	(300)	83	(217)
(46)	358	312	Surrey County Council	(75)	572	497
0	63	63	Surrey Police Authority	0	101	101
			Precepts, Demands and Shares			
11,201	0	11,201	Central Government	11,551	0	11,551
8,961	5,403	14,364	Epsom & Ewell Borough Council	9,240	5,581	14,821
2,240	37,200	39,440	Surrey County Council	2,310	38,434	40,744
0	6,585	6,585	Surrey Police Authority	0	6,803	6,803
			Charges to Collection Fund			
86	80	166	Increase / (Decrease) in Bad Debt Provision	57	108	165
(36)	0	(36)	Increase / (Decrease) in Provision for Appeals	626		626
87	0	87	Cost of Collection	87		87
22,082	**49,741**	**71,823**	**Total Expenditure**	**23,121**	**51,682**	**74,798**
(697)	**(307)**	**(1,004)**	**(Surplus) / Deficit arising during the year**	**(505)**	**(270)**	**(775)**
1,707	**(518)**	**1,189**	**(Surplus) / Deficit b/fwd 1 April 2015**	**1,010**	**(825)**	**185**
1,010	**(825)**	**185**	**(Surplus) / Deficit c/fwd 31 March 2016**	**504**	**(1,095)**	**(591)**

			Apportionment to Preceptors/EEBC			
505	0	505	Central Government	252	0	252
404	(91)	313	Epsom & Ewell Borough Council	202	(120)	81
101	(624)	(523)	Surrey County Council	50	(828)	(778)
0	(110)	(110)	Surrey Police Authority	0	(147)	(147)
1,010	**(825)**	**185**		**504**	**(1,095)**	**(591)**

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	95.08	6/9th	63.38
	B	682.7	7/9th	530.99
	C	3,663.10	8/9th	3,256.09
	D	7,354.18	9/9th	7,354.18
	E	6,854.28	11/9th	8,377.45
	F	4,194.80	13/9th	6,059.16
	G	3,712.15	15/9th	6,186.92
	H	122.3	18/9th	244.6
Aggregate of Relevant Amounts				32,072.77
Estimated Collection Rate				98.25%
Council Tax Base				31,511.50

Non-Domestic Rates Statistics

2014/15 £'000		2015/16 £'000
59,515	Total Non-Domestic Rateable Value at year end	59,290
48.2	National Non-Domestic Rate Multiplier (Standard)	49.3

Precepting Bodies

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

2014/15 £'000		2015/16 £'000
37,200	Surrey County Council	38,434
6,585	Surrey Police	6,803
5,403	Epsom and Ewell Borough Council	5,581
49,188	**Total Precepts on Collection Fund**	**50,818**

Distribution of Council Tax Surplus

2014/15 £000		2015/16 £000
358	Surrey County Council	572
63	Surrey Police Authority	101
52	Epsom & Ewell Borough Council	83
473		**756**

Council Tax Provision for Bad Debts

2014/15 £000		2015/16 £000
530	Opening Balance	532
2	Increase/(Decrease) in Bad Debt Provision	(10)
532	**Balance at Year End**	**522**

Statement of Responsibilities

General

1. The accounts have been prepared in accordance with the provisions of the Code of Practice on Local Authority Accounting in The United Kingdom by the Local Authority Accounting Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2012.
2. The Statement of Accounts is published separately from the Annual Report, the latter providing further information about the Council and its services.

Responsibilities

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

   The Borough Council is required to:
   - Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the Director of Finance and Resources.
   - 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 2016.

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

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

Annual Governance Statement

Scope of responsibility

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

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

3. Epsom and Ewell Borough Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, "Delivering *Good Governance in Local Government"*. This statement explains how Epsom and Ewell has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 and accompanies the 2015-16 Final Accounts. The Annual Governance Statement is subject to review by the Audit, Crime & Disorder and Scrutiny Committee and the Strategy & Resources Committee when it considers the Statement of Accounts.

The purpose of the governance framework

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

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

6. During 2015/16 the Council has worked to strengthen a number of governance arrangements which will continue into 2016/17 including procurement, project management, contract management and agency procurement.

7. The organisational changes implemented on the 1st April 2015 continue to be established through the Leadership Team and further organisational development and cross organisational projects. The work during 2015/16 will continue to be embedded in 2016/17 to deliver service improvements and the new key priorities.

8. The efficient use of resources is an overarching priority with projected budgetary gaps over the medium term due to cuts in government funding.

9. The governance framework has been in place at Epsom and Ewell Borough Council for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Statement of Accounts.

Sources of Assurance
▪ During 2015/16 the Council has been working towards a new Corporate Plan (2016-2020) which was adopted in April 2016. ▪ The Council has four new priorities for the Borough; Keeping the Borough Clean and Green, Supporting the Community, Managing Resources and Supporting Businesses & the Local Economy. ▪ The behaviour of Councillors is regulated through the Code of Conduct supported by a number of protocols. ▪ The Council has adopted a code of conduct for members and co-opted members and has in place arrangements to meet the requirements under section 27 of the Localism Act. ▪ Employees are subject to a Code of Conduct and a number of specific policies as set out by Human Resources. ▪ Policy and decision making is facilitated by a framework of delegation set out in the Constitution. ▪ Risk Management Framework covers strategic risk management, to identify corporate risks, assess the risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. ▪ The Council maintains and reviews a Leadership Service Risk Register. Risk Management awareness is built into the Council's training programme. The Corporate Governance Group also has a role in embedding risk management across the authority. ▪ The Director of Finance & Resources is designated as the responsible officer for administration of the Council's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making, providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information. ▪ The Director of Finance & Resources meets her financial responsibilities and ensures fully effective financial management arrangements are in place by attending key meetings where significant financial issues are discussed, and has a key role in the Leadership Team. She reports to the Chief Executive. This role meets the requirements Statement on the role of the Chief Financial Officer in Local Government and is a key role of good 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 Council has in place an approved Whistleblowing Policy for investigating complaints from members of the public and established anti-fraud and corruption arrangements. The Council also maintains an internal Whistleblowing Policy. ▪ The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision-making. ▪ The Council has in place a Corporate Equality Scheme 2011–2016 to meet the Council's statutory duties to make sure all services and activities are available to all those in the

Borough.

- The Customer Charter sets out standards of services that residents can expect to receive.
- The Council has a Team Strategy (2012-2016) which supported the previous Corporate Plan for the delivery of people management aims and objectives, which will be updated into an Organisational Development Strategy (2016-2020) to support the new Corporate Plan
- The Council has IIP accreditation.
- During 2015/16 the Council is in the process reviewing its performance management framework in light of changes to its key priorities. As a result the performance management information was not produced for the final quarter of the year. The new performance indicators will be reported to the relevant committee. The Audit, Crime & Disorder and Scrutiny Committee will continue to monitor indicators not met.
- The Council's Consultation Strategy 2012-2016 supports the Council in its duty to provide information, consult and involve the community.
- The Council continues to develop a range of partnership arrangements and has reviewed the corporate governance arrangements for priority partnerships and has an action plan in place.
- The Council has adopted a corporate complaints systems. Major programmes and projects are monitored and reported to the Leadership Team providing an oversight of the resources required and deliverability of projects.

Review of effectiveness

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

Assurance Received

- The senior management was restructured in April 2015 with the formation of two directorates and a Leadership Team. This is a decision making body who meet fortnightly. The Statutory Officers Group meet on alternative fortnights.
- The Head of Internal Audit's Annual Report is presented to the Audit, Crime & Disorder and Scrutiny Committee. The Head of Internal Audit's opinion is that "there were adequate and effective risk management and governance. Our work identified further enhancements to the framework of internal control to ensure it remains adequate and effective. Weaknesses were identified in reviews of Property Maintenance, Payment Card Industry (PCI) compliance control framework, and Car Park Income." Progress against these recommendations are reported back to Committee on a quarterly basis.
- The Risk Management Framework was reported to the Audit, Crime & Disorder and Scrutiny Committee in November 2015, who is responsible for monitoring and reviewing the Council's risk management arrangements.
- The Heads of Service complete annual self-assessments (Divisional Assurance Statements) of the processes and controls they have in place to allow them to achieve their service objectives. This identifies a range of service risks.

- Performance management reports are taken to the relevant policy committees and the Audit, Crime & Disorder and Scrutiny Committee over the course of the year. Based on the information provided during the year and reviews of data quality, adequate controls are in place.
- Local Ombudsman Report on complaints received.
- The Audit, Crime & Disorder and Scrutiny Committee produce an Annual Report.
- Financial assurance from budget targets report and Quarterly Revenue and Capital Monitoring Reports. Each service has savings targets based on controllable expenditure built into 4 year cost reduction plan.
- Register of pecuniary interests.
- Fraud Risk Assessment.
- Pay Award and Pay Policy statement 2015/16.
- Emergency Planning and Business Continuity Plans.
- As part of the Council's policy on transparency and openness, information on financial spend is publically available.
- Work has been undertaken to raise the awareness of information governance risks. Polices have been updated and mandatory training is rolled out to all staff.
- All committee reports have been seen by the Chief Finance Officer and the Monitoring Officer.

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

Significant governance issues

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

Significant Governance Issues				
No.	**Issue**	**Action**	**Lead Officer**	**Date**
1	**Public Sector funding reductions and on-going financial pressures**	Due to in-year savings a small underspend occurred in 2015/16. Finance will continue to work with managers to reduce costs and deliver the longer term requirements detailed in the Medium Term Financial Strategy and supported by the 4 year cost reduction plan.	Director of Finance & Resources & Leadership Team	Mar 17

2	**Lack of staffing and resources due to budget pressures and legislative changes, impacting on the changes required to deliver savings and efficiencies and the impact on delivering core services.**	To prioritise resources through the Corporate Projects List and implement key projects to improve efficiencies. Implement recommendations from the light touch DMA Review and LGA Peer Review. Agree an Organisational Development Strategy 2016-2020 to support the Corporate Plan Conduct a staff survey and review the outcome. One Team Staff Forum and Manager's Huddle	Leadership Team	Mar17 March 17 Nov 16 Mar 17 Sept 16
3	**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.**	Address issues through the action plans for the corporate groups covering: • Corporate Governance • Procurement • ICT Customer Focus • Economic Vitality • Corporate Property	Corporate Groups	Action Plan for each Group
4	**Although some work has been undertaken in 2015/16, the Council is not fully compliant with the Procurement Regulations Act and the Transparency Agenda.**	Updated Contract Standing Orders to be approved in June 2016. Progress joint working with the London Borough of Sutton which will ensure we are compliant with PCR 2015 and the transparency agenda. It will also provide access to procurement expertise, provide an up to date contract register and detailed spend analysis.	Procurement Working Group	July 16
5.	**A new performance framework needs to be developed to support the new Corporate Plan.**	New Performance Indicators have been agreed and a new performance management framework is being developed for the autumn committee cycle	Director of Finance & Resources	Nov 16
6.	**There are a number of weaknesses in the control**	An action plan was agreed to be implemented by September 2016 and	Head of ICT	Sept 16

	framework impacting on PCI (Payment Card Industry) compliance.	will be audited in November 2016.		
7.	**The cost of Homelessness continues to rise adding to financial pressures.**	A number of initiatives have been agreed by the relevant committee to reduce expenditure including the introduction of a Private Sector Leasing Scheme, Residential Property Fund and the refurbishment on an existing property to provide temporary accommodation.	Head of Housing and Env Services	March 17
8.	**All decisions are not properly reported to Committee and reports are of inadequate standard.**	Delegated authorities are updated and training to all managers on writing reports and processes.	Monitoring Officer	Sept 16
9.	**Fraud training and awareness needs to be provided to all staff.**	Training will be scheduled for 2016.	Corporate Governance Group	Dec 16
10.	**Health & Safety Risks are not effectively managed.**	The Leadership Team to ensure that the new risk assessments are being completed in all areas and appropriate action taken to reduce the risks.	Leadership Team	Dec 16

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

Signed:

27/09/16

....

Chair of Strategy and Resources & Chief Executive on

Behalf of Epsom and Ewell Borough Council

Glossary of Financial Terms

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

FINANCIAL TERMS

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

Creditors	Amounts owed by the Council at the end of the accounting period.
Debtors	Amounts owed to the Council at the end of the accounting period.
Earmarked Reserves	Balances set aside to meet specific future, usually non-recurring, commitments.
Fees and Charges	Income receivable as payment for goods or services provided.
Intangible Assets	Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period.
(National) Non-Domestic Rate(s) (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.
Revenue Expenditure	This is the routine day to day cost of providing the Council services. Under the Local Government and Housing Act 1989, all expenditure is regarded as revenue unless it is specifically classified as capital.
Revenue Support Grant	A grant paid by central government as part of "formula grant" to support local authority services in general, as opposed to specific grants which may only be used for a prescribed purpose.
Support Services	Professional, technical and administrative activities, such as Finance, Information Technology and Human Resources, which support the provision of front line services .

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

We have audited the financial statements of Epsom and Ewell Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities, the Director of Finance and Resources 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 2015/16, 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 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 Head of Finance (Deputy S151 Officer); 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 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 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: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 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 to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 to secure value for money through economic, efficient and effective use of its 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 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Elizabeth Jackson

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

Grant Thornton House
Melton Street

Euston Square

London

NW1 2EP

28 September 2016