



Statement of Accounts

2021/22

CONTENTS	Page
Certificate of the Chief Finance Officer	3
Narrative Report	4
<u>Core Statements</u>	
Comprehensive Income and Expenditure Statement (CIES)	11
Movement in Reserves Statement (MIRS)	12
Balance Sheet	13
Cash Flow Statement	14
<u>Disclosure Notes</u>	
Note 1 Accounting Policies	15
Note 2 Accounting Standards issued but not yet adopted	28
Note 3 Critical Judgements in Applying Accounting Policies	28
Note 4 Assumptions Made about the Future and other Major Sources of Estimation Uncertainty	29
Note 5 Material Items of Income and Expenditure	30
Note 6 Events After the Balance Sheet Date	32
Note 7 Expenditure and Funding Analysis	32
Note 8 Expenditure and Income analysed by Nature	35
Note 9 Adjustments between accounting basis and funding under Regulations	36
Note 10 Movements in Usable Reserves	39
Note 11 Other Operating Expenditure in CIES	39
Note 12 Financing and Investment Income and Expenditure in CIES	40
Note 13 Taxation and Non-Specific Grant Incomes in CIES	40
Note 14 Other Government Grants Credited to Services	41
Note 15 Property, Plant and Equipment	42
Note 16 Investment Properties	47
Note 17 Intangible Assets	48
Note 18 Financial Instruments	49
Note 19 Debtors	55
Note 20 Cash and Cash Equivalents	55
Note 21 Creditors	56
Note 22 Provisions	56
Note 23 Reserves	57
Note 24 Adj to (Surplus) or Deficit on the provision of services for non-cash movements	60
Note 25 Cash flow from Investing Activities	61
Note 26 Cash flow from Financing Activities	61
Note 27 Members' Allowances	62
Note 28 Executive Remuneration Bands and Exit Packages	62
Note 29 Audit costs	64
Note 30 Capital Financing Requirement	64
Note 31 Finance and Operating Leases	65
Note 32 Pension costs	66
Note 33 Contingent Assets and Liabilities	71
Note 34 Related Parties	71
Note 35 Collection Fund	73
Group Accounts	76
Statement of Responsibilities	84
Annual Governance Statement	85
Independent Auditor's Report	97
Glossary	103

Certificate of the Chief Finance Officer

I certify that the audited Statement of Accounts, set out on the following pages 4 to 84, presents a true and fair view of the financial position of the Council at 31 March 2022 and of its income and expenditure for the year ended 31 March 2022.



Lee Duffy (CPFA)

Chief Finance Officer (S151 Officer)

3 March 2023



Councillor Steve Bridger

Chair of Audit and Scrutiny Committee

3 March 2023

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2021/22, which reports the Council's financial performance during the year.

Epsom and Ewell Borough Council (EEBC) sits within Surrey and provides a wide range of services to residents and businesses, including waste & recycling, planning, parking, environmental health, housing and economic development. During 2021/22 the Council's full range of services were delivered by three Committees – Environment & Safe Communities, Community & Wellbeing, and Strategy & Resources – and can be accessed online at www.epsom-ewell.gov.uk.

EEBC has a Four Year Corporate Plan for the period 2020-2024, which is also available on the Council's website. The plan identifies six key themes for the Borough – Green & Vibrant, Safe & Well, Opportunity & Prosperity, Smart & Connected, Cultural & Creative, and Effective Council.

The Council's governance arrangements are set-out in the Annual Governance Statement, which is appended to the Statement of Accounts. The Council's key performance indicators are reported to Audit and Scrutiny Committee and are publicly available through the Council website.

2. Impact of Covid-19

During 2021/22, Covid-19 continued to have a major impact on services, particularly during periods when government restrictions were in place. The Council's response during 2021/22 included assisting the NHS by providing testing and vaccination sites, implementing government regulations, making Test & Trace and Household Support Fund payments to eligible residents, putting in place measures to make town centres and public spaces Covid-secure, and helping to sustain the local economy by administering government-funded business rates reliefs and business grants.

The Council itself sustained disruptions to its income streams from services such as car parks and Council venues, which were only partly compensated by central government.

The Council is likely to face ongoing budget pressures throughout 2022/23, as services and associated income levels take time to gradually rebuild and adapt to new economic norms. Future financial plans will continue to be monitored and reviewed accordingly.

3. Financial Performance

The Council's financial performance is summarised by the table below, as reported to Members in July 2022:

2020/21	Committee	2021/22		
Outturn £'000		Budget £'000	Outturn £'000	Variance £'000
(494)	Strategy and Resources	2,087	822	(1,265)
4,925	Environment & Safe Communities	2,637	3,854	1,217
7,602	Community & Wellbeing	6,557	7,136	579
12,033	SUB-TOTAL	11,281	11,811	530
(2,247)	Capital Charges	(2,669)	(2,669)	0
(9,743)	External Funding	(8,612)	(8,612)	0
43	TOTAL (met by contribution (to)/from General Fund reserve)	0	530	530

The Council recorded a £530k adverse variance on its revenue account for 2021/22, which was within 6.2% of the agreed budget. The £530k outturn variance has been funded by a contribution from the General Fund balance at year-end.

The outturn position was supported by £1.154m of government grants during the year, which are disclosed in Note 5 to the Statement of Accounts. Without these government grants (and all else being equal), the Council's revenue outturn would have shown a £1.684m adverse variance.

The Council achieved a collection rate of 98.5% for council tax and 98.7% for business rates. Outstanding council tax arrears remain subject to recovery action (subject to government guidance) until such times as these sums are fully paid or written off.

4. Reserves

The Council's General Fund balance stands at £2.85m at 31 March 2022 (£3.38m prior year). In-year net withdrawals from strategic earmarked reserves totalled £1.897m. The withdrawals from reserves were partially offset by £2.6m business rates grants from the Department for Levelling Up, Housing & Communities (DLUHC), which will be required to fund the Council's £2.77m share of the business rates collection fund deficit by 2023/24. Usable reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

Usable Reserves	2021/22 Opening Balance £'000	2021/22 Movement £'000	2021/22 Closing Balance £'000
General Fund Balance	(3,383)	530	(2,853)
Strategic Earmarked Reserves	(25,152)	1,896	(23,255)
Sub-Total Revenue Reserves	(28,535)	2,426	(26,109)
Community Infrastructure Levy	(8,419)	(901)	(9,320)
Capital Receipts Reserve	(4,050)	229	(3,821)
Total Usable Reserves	(41,003)	1,754	(39,249)

The Council has a policy of maintaining a minimum, prudent General Fund balance of £2.5m to provide for unforeseen requirements.

5. Capital Expenditure

Capital investment on the Council's core capital programme amounted to £1.735m in 2021/22 (£2.791m in 2020/21). A summary of expenditure by Committee is shown below:

2020/21 Outturn £'000	Core Capital Programme Expenditure	2021/22		
		Current Budget £'000	Outturn £'000	Variance £'000
349	Strategy & Resources Committee	851	333	(519)
1,531	Environment & Safe Communities	1,882	873	(1,009)
911	Community & Wellbeing Committee	1,616	529	(1,087)
2,791	Total	4,350	1,735	(2,614)

On the core capital programme, actual expenditure was £1.735m, which is £2.614m less than the 2021/22 budget. The main projects contributing to the underspend are Disabled Facilities Grant (789k); replacement of EEBC lamp columns (£409k); Hogsmill stream repairs (£261k) and replacement of the CRM and data warehouse (£380k).

The detailed capital outturn position was reported to Strategy & Resources Committee on 26 July 2022.

In addition to the core capital programme, £224k was spent on the CIL 15% Neighbourhood Scheme, £34k on a new vehicle on a finance lease, £228k on the residential property acquisition programme and £303k paid from capital resources to fund the Horton Chapel project.

The capital expenditure has been funded as shown in the following table:

2020/21 £'000		2021/22 £'000
	<u>Expenditure</u>	
2,791	Core Programme	1,735
0	Vehicle Finance Lease	34
0	Property Acquisition Funds	228
54	CIL Neighbourhood Scheme	224
228	Horton Chapel	303
3,073	Total Expenditure	2,523
	<u>Funding</u>	
485	Capital Reserves	229
734	Government Grants	455
200	Revenue	398
0	Section 106 Receipts	361
1,654	Community Infrastructure Levy Receipts	1,046
3,073	Subtotal Capital Funding	2,489
0	Vehicle Finance Lease - to be financed in future years	34
3,073	Total	2,523

The Council's capital investment is required to maintain existing levels of service provision, and to generate additional income streams for the Council which can be used to fund the delivery of services.

There were no capital receipts generated by the Council during the year, and £229k were applied to fund in-year capital expenditure. The balance of the Council's usable capital reserves at 31 March 2022 is £3.821m (compared to £4.050m at 31 March 2021), of which £766k is committed to funding capital projects rolled forward into 2022/23.

6. Pension Liability

For accounting purposes, a valuation of the pension fund is carried out under IAS19 to produce an accounting surplus or deficit at the balance sheet date. The balance of the Council's pension liability decreased from £46.2m to £36.8m at 31 March 2022, a favourable movement of £9.4m. The Council's actuary estimated that at 31 March 2022, future liabilities amount to £122.6m (£127.1m at 31 March 2021) with assets of £85.8m (£80.9m at 31 March 2021).

The financial assumptions used by the actuary to calculate the future liability – such as those for inflation and discount rates – are set-out in the pension liability disclosure note. The main reason for the favourable movement in 2021/22 is an increase, from 2.0% to 2.7%, in the assumed discount rate applied to future scheme liabilities, partly offset by increased future assumed rates of pension and salary increases.

Although the IAS19 pension liability has a significant impact on the Council's Balance Sheet, the valuation methodology is affected by short-term economic market conditions and is not used to determine the impact on council tax of the cost of paying pensions. There are separate statutory arrangements for meeting the liability. The deficit will be addressed by increased contributions to the scheme over the remaining working lives of the staff.

7. Investments and Borrowings

The annual treasury management strategy, which was approved by Councillors in February 2022, is available on the Council's website.

At 31 March 2022, the Council held £24.1m long-term investments and £36.2m loans to its wholly owned subsidiary company, these balances were unchanged from the prior year. The Council held £10.0m in short term investments at year end (nil at 31 March 2021); in addition to £25.0m invested in money market funds at 31 March 2022 (prior year £18.7m). During 2021/22, the Council generated £1.89m of interest income (£1.87m in 2020/21) and received £0.603m dividend income (£0.868m in 2020/21).

In previous years, the Council has undertaken external borrowing specifically to invest in commercial properties, to generate long term income streams. Long-term borrowing at 31 March 2022 remained at £64.4m, unchanged from the prior year. The Council paid £1.63m interest on these borrowings during the year (also £1.63m in 2020/21).

8. Epsom & Ewell Property Investment Company Limited

In September 2017, the Council established a 100%-owned subsidiary, Epsom & Ewell Property Investment Company Limited, principally to manage its two high quality, out-of-Borough

commercial properties. The company aims to achieve rental yields from the properties, which will assist the Council in becoming more financially self-sufficient and sustaining high-quality services to local residents and businesses. The two properties have a combined value of £59.5m at 31 March 2022 (prior year £58.6m). The property portfolio remained unchanged during 2021/22, with the company delivering a net £894k benefit, after transfers to earmarked reserves, to the Council's general fund in the year (net £429k benefit in 2020/21). The assets, liabilities, reserves, income and expenditure figures for the company have been consolidated into group accounts from page 74.

9. Future and Economic Outlook

Changes in economic/social activity following the Covid-19 pandemic, and the ongoing 'cost of living' crisis due to elevated inflation and energy costs, are all expected to have a lasting impact on the economy throughout 2022/23 and beyond.

Income from council tax, business rates and fees and charges – such as from car parks, Council venues, and planning fees – is dependent on the ability of individuals and businesses to pay. These income streams will all be impacted in some way by economic changes following the pandemic and by the cost of living crisis, as the wider economy adapts to new ways of operating. The Council's income streams are monitored closely to ensure that any adverse trends are identified and addressed early.

Central Government funding also remains uncertain due to its Fair Funding Review, which has again been deferred to 2023/24 at the earliest. New Homes Bonus has also been further reduced, which will impact upon the funding available for projects in future financial years.

Demographic growth and an increasing ageing population will continue to present challenges for this Council and County in years to come.

The Council's Medium Term Financial Strategy 2020-2024 (report available on the Council's website) requires the delivery of identified annual savings totalling £1.8 million between now and 2024, in order to achieve a balanced revenue budget over the period. The Council continues to monitor and review its future financial plans accordingly during 2022/23.

10. Statement of Accounts

The Statement of Accounts follow this narrative section and comprise the following:

- Comprehensive Income and Expenditure Statement (CIES)
- Movements in Reserve Statement (MIRS)
- Balance Sheet (BS)
- Cash Flow Statement (CFS)
- Notes to the Financial Statements including Accounting Policies
- Collection Fund Accounts
- Group Accounts
- Statement of Responsibilities

The Statement of Accounts is designed to meet statutory government and accounting standards, which can make it a complex, technical document in places. To assist readers, a simplified Balance Sheet and Comprehensive Income & Expenditure Statement are presented as follows:

31 March 2021 £'000	A Simplified Balance Sheet	31 March 2022 £'000
138,389	What we own:	135,789
24,117	Assets	34,117
162,506	Investments	169,906
	What we are owed:	
6,011	Amounts due before 31 March 2023	2,861
36,512	Amounts due after 31 March 2023	36,806
42,524		39,667
	What we owe:	
(12,673)	Amounts due before 31 March 2023	(30,700)
(69,913)	Amounts due after 31 March 2023	(69,507)
(536)	Provisions	(460)
(46,201)	Pension Deficit	(36,793)
(129,323)		(137,459)
20,724	Cash and cash equivalents	34,635
96,431	Net Assets	106,749
	Represented by our Reserves:	
(41,003)	Usable Reserves	(39,249)
(55,428)	Unusable Reserves	(67,500)
(96,431)	Total Reserves	(106,749)

The complete Balance Sheet is shown within the Statement of Accounts.

A Simplified Comprehensive Income & Expenditure Statement from 1 April 2021 to 31 March 2022	Expenditure £'000	Income £'000	Net Expenditure/ (Income) £'000
Spending within Services	49,568	(31,563)	18,005
Other Income and Expenditure	3,182	(24,232)	(21,050)
(Surplus)/Deficit on Provision of Services in CIES	52,750	(55,796)	(3,045)
Adjustments between Funding/Accounting and Internal/Statutory Reporting Bases			(3,575)
Net Expenditure Charged to General Fund Balance			530

The complete CIES is shown within the Statement of Accounts.

At Note 7, the Expenditure and Funding Analysis shows a full reconciliation between net expenditure in the CIES and net expenditure chargeable to the general fund as presented in our outturn reports.

The CIES includes all capital and pension adjustments that are required under generally accepted accounting principles, but which under statutory provisions do not need to be funded from council tax. In addition, the CIES recognises EEBC's share of council tax and business rates transactions on an accruals basis, with the timing difference being adjusted through the collection fund adjustment account rather than through the general fund, in accordance with statutory requirements.

11. Further Information

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

Comprehensive Income and Expenditure Statement for year ended 31 March 2022

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			Committee			
10,232	(5,072)	5,160	Environment & Safe Communities	13,016	(7,166)	5,849
13,930	(3,337)	10,593	Community and Wellbeing	12,599	(4,404)	8,194
24,374	(21,401)	2,973	Strategy and Resources	23,954	(19,992)	3,961
48,536	(29,810)	18,726	Cost of Services	49,568	(31,563)	18,005
4,279	(6,162)	(1,883)	Financing and investment Income and Expenditure (Note 12)	3,182	(12,656)	(9,474)
0	(15,697)	(15,697)	Taxation and non-specific grant income and expenditure (Note 13)	0	(11,576)	(11,576)
52,815	(51,669)	1,146	(Surplus) or Deficit on Provision of Services	52,750	(55,796)	(3,045)
		(3,084)	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			4,782
		7,544	Remeasurement of net defined benefit liability/(asset) (Note 32)			(12,055)
		4,460	Other Comprehensive (Income) and Expenditure			(7,273)
		5,606	Total Comprehensive (Income) and Expenditure			(10,318)

Movement in Reserves Statement for the year ended 31 March 2022

This statement shows the movement on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The statement shows how the movements of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to amounts chargeable to council tax for the year.

	Usable Reserves				Unusable Reserves					Total Reserves
	General Fund Balances	Capital Receipts Reserve	Capital Grants Unapplied	Subtotal Usable Reserves	Revaluation Reserves	Capital Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Subtotal Unusable Reserves	
2021/22	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2021	(28,535)	(4,050)	(8,419)	(41,003)	(49,013)	(59,224)	6,609	46,201	(55,428)	(96,431)
Movement in Reserves										
Total Comprehensive Income and Expenditure	(3,045)	0	0	(3,045)	4,782	0	0	(12,055)	(7,273)	(10,318)
Adjustments between accounting basis and funding under regulations (Note 9)	5,470	229	(901)	4,798	0	(3,551)	(3,895)	2,647	(4,798)	0
(Increase) or Decrease	2,425	229	(901)	1,753	4,782	(3,551)	(3,895)	(9,408)	(12,072)	(10,318)
Balance at 31 March 2022 carried forward	(26,109)	(3,821)	(9,320)	(39,249)	(44,231)	(62,775)	2,714	36,793	(67,500)	(106,750)
General Fund analysed over:										
Amounts earmarked (Note 10)	(23,255)									
Amounts uncommitted	(2,853)									
Total	(26,109)									
2020/21										
Balance at 01 April 2020	(18,374)	(4,535)	(7,677)	(30,586)	(45,929)	(61,739)	(1,136)	37,354	(71,450)	(102,036)
Movement in Reserves										
Total Comprehensive Income and Expenditure	1,146	0	0	1,146	(3,084)	0	0	7,544	4,460	5,606
Adjustments between accounting basis and funding under regulations (Note 9)	(11,306)	485	(742)	(11,563)	0	2,514	7,745	1,303	11,563	0
(Increase) or Decrease	(10,160)	485	(742)	(10,417)	(3,084)	2,514	7,745	8,847	16,022	5,606
Balance at 31 March 2021 carried forward	(28,535)	(4,050)	(8,419)	(41,003)	(49,013)	(59,224)	6,609	46,201	(55,428)	(96,431)
General Fund analysed over:										
Amounts earmarked (Note 10)	(25,152)									
Amounts uncommitted	(3,383)									
Total	(28,535)									

Balance Sheet as at 31 March 2022

The Balance Sheet shows the value of assets and liabilities recognised by the Council. The Council's net assets are matched by its reserves. Reserves are reported in two categories. The first category are usable reserves, which the Council may use to provide services or capital investment, subject to the need to maintain a prudent level of reserves and any statutory limitations. The second category is those that cannot be used to provide services. This category includes reserves holding unrealised gains/losses (e.g. the Revaluation Reserve), where amounts only become available if assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement.

2020/21 £'000		Note	2021/22 £'000
	Long-term Assets		
81,736	Property, Plant and Equipment	15	74,840
54,663	Investment Properties	16	58,974
722	Heritage Assets		722
611	Intangible Assets	17	584
24,117	Long Term Investments	18	24,117
36,512	Long Term Debtors	19	36,806
592	Surplus Assets	15	592
198,952	Total Long-term Assets		196,634
	Current Assets		
66	Inventories		78
6,011	Short-term Debtors	19	2,861
0	Short-term Investments	18	10,000
20,724	Cash and Cash Equivalents	20	34,635
26,801	Total Current Assets		47,574
	Current Liabilities		
(12,264)	Short-term Creditors	21	(30,290)
(409)	Lease Liability - Within One year	31	(410)
(12,673)	Total Current liabilities		(30,700)
	Long-term Liabilities		
(64,427)	Long Term Borrowing	18	(64,427)
(46,201)	Defined Benefit Pension Liability	32	(36,793)
(3,230)	Capital Grants Receipts in Advance	14	(3,203)
(536)	Long-term Provisions	22	(460)
(2,257)	Lease Liability - Over One year	31	(1,877)
(116,650)	Total Long-term Liabilities		(106,759)
96,431	NET ASSETS		106,749
	Total Reserves		
(41,003)	Usable Reserves	23	(39,249)
(55,428)	Unusable Reserves	23	(67,500)
(96,431)	TOTAL RESERVES		(106,749)

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 23 June 2022.

Cash Flow Statement as at 31 March 2022

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.

2020/21			2021/22
£'000		Note	£'000
1,146	Net (Surplus) or Deficit on the Provision of Services	CIES	(3,045)
(7,543)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	24	(2,947)
4,394	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	3,608
(2,002)	Net cash flows from Operating Activities		(2,384)
(8,438)	Net cash outflow / (inflow) from Investing Activities	25	7,257
(47)	Net cash outflow / (inflow) from Financing Activities	26	(18,784)
(10,488)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		(13,911)
10,236	Cash and Cash Equivalents at the Beginning of the Period		20,724
10,488	Net Increase/(decrease) in Cash and Cash Equivalents		13,911
20,724	Cash and Cash Equivalents at the End of the Reporting Period	20	34,635

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 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations, in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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. The going concern assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies, with limits on their revenue-raising powers arising only at the discretion of central government.

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. The Council has a de-minimis level of £20k when recognising assets and liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave which has not been accrued due to the amount being immaterial to the accounts and the year on year difference not being material.

2. 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 (including 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.

3. 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. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (derived from a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

- 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 the following 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 as a result of a scheme amendment or curtailment 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.
3. Net interest on the net defined benefit liability: the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
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 Pension Reserve as Other Comprehensive Income and Expenditure.
5. Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions, are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
6. 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.

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.

4. 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 if it is considered material. Once audited, the Statement of Accounts will be authorised by the Chief Finance Officer, events will be considered up to the authorisation date.

5. Financial Instruments

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

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

Financial Assets: The Council holds financial assets that are classified into two types:

1. Amortised cost
2. Fair value through profit or loss (FVPL)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

The Council assesses expected credit losses on all of its financial assets held at amortised cost. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Any material fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on market prices wherever possible.

The only such financial assets in this category held by the Council are Money Market Fund and Global Liquidity Fund investments, as detailed in the financial instruments disclosure notes. The Council has assessed that the fair value of these assets is not materially different to amortised cost.

6. 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.

7. Interest in Subsidiary Company

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the Council and the subsidiary, are published following the Council's disclosure notes. In the Council's own single-entity accounts, the interest is recorded in the balance sheet as a long-term investment at cost.

8. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. An exception is made for properties valued under the Council's de minimis threshold of £20,000. These properties are instead valued every 5 years in line with operational properties, as any annual movement would not be material to presenting a true and fair view of the accounts. Any material change in Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

9. 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 Financing and Investment Income 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.

10. Overheads and Support Services

The costs of overheads and support services hosted within Strategy and Resources Committee are re-charged to other service segments in accordance with the Council's arrangements for accountability and financial performance. The Strategy and Resources segment does not report such overhead recharges as income, but as a reduction of gross expenditure.

11. 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 current 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.

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

- Land and operational properties are valued at current 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 current value. The exception 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 have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

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

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

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

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

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer, up to a maximum of 50 years.
- 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 previous 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 and are required to be credited to the Capital Receipts Reserve and are only 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.

12. Charges to Revenue for 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.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to 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 amortisation 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.

13. Heritage Assets

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

Recognition: The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. The de-minimis levels applied to all Non-Current Assets will be applied to this asset class.

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. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised in accordance with the Authority's policies on impairment. Heritage Assets with an indefinite life will not be subject to annual depreciation.

14. Provisions

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.

15. Reserves

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

16. VAT

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

17. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). 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 (Surrey County Council and Surrey Police) and itself. Also, the Council collects and distributes NDR on behalf of the major preceptors (Surrey County Council, itself and central government).
- While the council tax and NDR income for the year credited to the Comprehensive Income and Expenditure Statement and 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 any surplus or deficit on the Collection Fund for the previous year. 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 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 is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

18. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and expenditure Statement until conditions attached to the grant or contribution have been satisfied.

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

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

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

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL) on chargeable developments within the borough. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

19. 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.

20. 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 in

an orderly transaction between market participants 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

There are no accounting standards due to come into force in 2022/23 that would have a material effect on the Council's transactions for 2021/22 and balances at 31 March 2022. As permitted by CIPFA, the Council expects to implement IFRS16 for the 2024/25 Statement of Accounts. Ahead of implementation, an impact assessment will be undertaken and disclosed as required within the 2023/24 Statement of Accounts.

Note 3: Critical Judgements in Applying Accounting Policies

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

Property, Plant and Equipment assets are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end; as a minimum, revaluations occur at least once every five years. In addition the Council instructs its valuers to undertake a review of assets held in the other land and buildings category not re-valued in the year, to ensure that the carrying value is not materially different from their current value.

The Council has a material interest in its wholly owned subsidiary company, Epsom & Ewell Property Investment Company Limited. Group accounts, which present the combined financial position of the Council and the subsidiary, are published following the Council's disclosure notes. In the Council's own single-entity accounts, the Council's shareholding in the company is recorded in the balance sheet as a long term investment at cost.

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 31 March 2022 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 £74.8m	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
	Despite the ongoing Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.	The depreciation charge for PPE in 2021/22 was £2.217m. A movement of 1% would result in a change in the depreciation charge of approximately £22.2k. A 1% movement in the net book value of all PPE would result in a movement in the balance sheet of £748k.
Investment Properties £58.97m	The Council's investment properties have been independently valued by Wilks, Head and Eve. Despite the ongoing Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.	A movement of 1% in the value of the investment property portfolio would result in an additional debit/credit to the CIES of £590k, which would be charged against the Revaluation Reserve or Capital Adjustment Account balances. The impact on usable reserves would be nil.

Pension Liability £36.8m	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The assumptions interact in complex ways – the pension disclosure note contains a sensitivity analysis of the impact of changes to individual assumptions.
-------------------------------------	--	--

Note 5: Material Items of Income and Expenditure

Covid-19 continued to have a major impact on the Council's operations – this disclosure note details the material impacts which related to government grants received and administered during 2021/22. All material items of income and expenditure are included on the face of the CIES.

Government Grant Support to EEBC in CIES

To manage the impact of Covid-19 and to support services, the Council received £1.15m of government grants and lost income compensation during 2021/22 (£5.56m in 2020/21), as shown in the following table:

Covid-19 Government Grants for EEBC	£'000	Included in CIES line:
Income Compensation Scheme (from DLUHC)	506	Taxation & non-Specific Grant Income
Environmental Health Grants (from SCC)	137	Environment & Safe Communities
New Burdens - Business Grants Administration (BEIS)	131	Strategy & Resources
Re-opening High Streets Safely/Welcome Back Fund (European Fund)	113	Strategy & Resources
Clinically Extremely Vulnerable Persons Grant (SCC)	105	Strategy & Resources
Contain Outbreak Management Fund (DHSC)	79	Strategy & Resources (£48k)
Test & Trace Administration (DHSC)	44	Community & Wellbeing (£31k)
Protect & Vaccinate (DLUHC)	23	Strategy & Resources
Household Support Fund Administration (SCC)	17	Community & Wellbeing
Total Covid-19 Government Support	1,154	

Grant Support to Businesses and Residents – recorded within CIES

Acting in a principal capacity, the Council received the following Covid-19 related government grants; the Council then pays the grants out to eligible businesses and residents. The grant income and associated expenditure is included within the CIES, in accordance with the accounting requirements for principal arrangements.

Grant name	Grant received in 2020/21 by EEBC (£000)	Payable to:	Grant paid out in 2020/21 (£000)	Income & expenditure reported in CIES	Remaining grant balance at 31/03/21 (£000)	Additional grant received/(unspent grant returned) by EEBC in 2021/22	Grant paid out in 2021/22 (£000)	Remaining grant balance at 31/03/22* (£000)
Local Restrictions Support Grant - Open (BEIS)	139	Eligible Businesses	(62)	Strategy & Resources	76	0	(5)	72
Discretionary Grant Fund (BEIS)	550	Eligible Businesses	(550)	Strategy & Resources	0	0	0	0
Additional Restrictions Support Grant - Discretionary (BEIS)	2,329	Eligible Businesses	(943)	Strategy & Resources	1,386	0	(1,321)	64
Emergency Assistance - Food & Essential Supplies (SCC)	39	Epsom & Ewell Foodbank	(39)	Community & Wellbeing	0	0	0	0
Household Support Fund (SCC)	0	Eligible Residents	0	Strategy & Resources	0	150	(116)	34
Council Tax Hardship Grant (DLUHC)	344	Eligible Residents	(299)	Strategy & Resources	45	0	0	45
Total	3,400	-	(1,892)	-	1,508	150	(1,442)	216

*Remaining balances are expected to be paid out to eligible businesses/residents in 2022/23, or returned to the grantor, as appropriate depending on the grant. The amounts are held on the balance sheet at 31 March 2022 within creditors.

Grant Support to Businesses and Residents – recorded through Balance Sheet

Acting in an agency capacity, the Council received the following Covid-19 related government grants, which are then paid out to eligible businesses and residents. The grant transactions are not included within the CIES, in accordance with the accounting requirements for agency arrangements. The balances are held on the balance sheet within creditors, and included as financing cash inflows and outflows in the Cash Flow Statement.

Grant name	Grant received in 2020/21 by EEBC (£000)	Payable to:	Grant paid out in 2020/21 (£000)	Remaining grant balance at 31/03/21 (£000)	Additional grant received/(unspent grant returned) by EEBC in 2021/22	Grant paid out in 2021/22 (£000)	Remaining grant balance at 31/03/22* (£000)
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (BEIS)	10,005	Eligible Businesses	(10,005)	0	0	0	0
Local Restrictions Support Grants (BEIS)	5,710	Eligible Businesses	(2,910)	2,800	0	(188)	2,612
Wet-Led Pub Grants (BEIS)	19	Eligible Businesses	(12)	7	(7)	0	0
Closed Business Support Grants (BEIS)	3,654	Eligible Businesses	(1,916)	1,738	0	(89)	1,649
Test & Trace - self isolation payments (DHSC)	144	Eligible Residents	(56)	89	82	(122)	49
April 2021 Restart Grant (BEIS)	0	Eligible Businesses	0	0	2,894	(2,894)	0
Omicron Hospitality & Leisure Grant (BEIS)	0	Eligible Businesses	0	0	474	(445)	29
Additional Restrictions Grant (30 Dec 2021 to 31 March 2022) (BEIS)	0	Eligible Businesses	0	0	162	(149)	13
Council Tax Energy Rebate - Main Scheme (DLUHC)	0	Eligible Residents	0	0	2,324	0	2,324
Council Tax Energy Rebate - Discretionary Scheme (DLUHC)	0	Eligible Residents	0	0	188	0	188
Total	19,532	-	(14,898)	4,634	6,116	(3,887)	6,863

*Remaining balances are expected to be paid out to eligible businesses/residents in 2022/23, or returned to the grantor, as appropriate depending on the grant. The amounts are held on the balance sheet at 31 March 2022 within creditors.

Note 6: Events after the Balance Sheet Date

There are no material post balance sheet events to disclose.

Note 7: Expenditure and Funding Analysis

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

2020/21				Committee	2021/22			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting Basis	Adjustments between internal and statutory reporting	Net Expenditure in the CIES
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
4,925	1,018	(784)	5,160	Environment & Safe Communities	3,854	2,786	(790)	5,849
7,602	4,070	(1,080)	10,593	Community & Wellbeing	7,136	2,221	(1,163)	8,194
(494)	(1,275)	4,743	2,973	Strategy & Resources	822	(1,267)	4,407	3,961
12,033	3,813	2,880	18,726	Net Cost of Services	11,811	3,740	2,453	18,005
(11,990)	7,493	(13,083)	(17,580)	Other Income and Expenditure	(11,281)	(9,211)	(558)	(21,050)
43	11,306	(10,204)	1,146	(Surplus) or Deficit	530	(5,471)	1,896	(3,045)
(3,426)	Opening General Fund balance				(3,383)			
(3,383)	Closing General Fund balance				(2,853)			

Note to the Expenditure & Funding Analysis 2021/22

Committee	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Adjustments for Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal & statutory reporting	Net Expenditure in the CIES
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment & Safe Communities	3,854	1,710	1,076	0	2,786	(790)	5,849
Community & Wellbeing	7,136	1,248	973	0	2,221	(1,163)	8,194
Strategy & Resources	822	(923)	(344)	0	(1,267)	4,407	3,961
Net Cost of Services	11,811	2,034	1,706	0	3,740	2,453	18,005
Other Income and Expenditure	(11,281)	(6,258)	940	(3,894)	(9,211)	(558)	(21,050)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	530	(4,224)	2,646	(3,894)	(5,471)	1,896	(3,045)
Opening General Fund at 1 April 2021	£'000 (3,383)						
(Surplus)/Deficit	530						
Closing General Fund balance at 31 March 2022	(2,853)						

Note to the Expenditure & Funding Analysis 2020/21

Committee	Net Expenditure Chargeable to General Fund	Adjustments for Capital Purposes (Note 1)	Adjustments for Pensions Benefits (Note 2)	Other Differences (Note 3)	Total Adjustments between Funding and Accounting Basis	Adjustments between internal & statutory reporting	Net Expenditure in the CIES
General Fund	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment & Safe Communities	4,925	346	672	0	1,018	(784)	5,160
Community & Wellbeing	7,602	3,557	513	0	4,070	(1,080)	10,593
Strategy & Resources	(494)	(505)	(770)	0	(1,275)	4,743	2,973
Net Cost of Services	12,033	3,398	416	0	3,813	2,880	18,726
Other Income and Expenditure	(11,990)	(1,139)	888	7,745	7,493	(13,083)	(17,580)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	43	2,258	1,303	7,745	11,306	(10,204)	1,146
Opening General Fund at 1 April 2020	£'000 (3,426)						
(Surplus)/Deficit	43						
Closing General Fund balance at 31 March 2021	(3,383)						

Note 1. Adjustments for Capital Purposes

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

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

Note 2. Adjustments for Pension Benefits

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** — the net interest on the defined benefit liability is charged to the CIES.

Note 3. Other Differences

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

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

Note 8: Expenditure and Income analysed by Nature

The Council's expenditure and income is analysed as follows:

2020/21 £'000	Expenditure/Income	2021/22 £'000
	Expenditure	
13,947	Employee benefits expenses	15,754
30,674	Other services expenses	31,065
(495)	Support Services recharges	(530)
4,179	Depreciation, amortisation, impairment, & revaluation	3,151
2,699	Interest payments	2,747
573	Precepts and Levies	562
1,237	Movement in Investment Properties	0
52,815	Total Expenditure	52,750
	Income	
(13,277)	Fees, charges and other service income	(19,008)
(2,860)	Interest and investment income	(2,613)
(8,646)	Income from council tax, non-domestic rates (business rates) and associated S31 grants	(8,314)
(26,886)	Government grants and contributions	(21,550)
0	Movement in Investment Properties	(4,311)
(51,669)	Total Income	(55,796)
1,146	(Surplus) or Deficit on the Provision of Services	(3,045)

Note 9: Adjustments between Accounting basis and Funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2021-22	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES</u>				
Charges for depreciation and impairment of non current assets	(2,217)	0	0	2,217
Revaluation losses on Property Plant and Equipment	(1,139)	0	0	1,139
Reversal of movements in the market value of Investment Properties	4,311	0	0	(4,311)
Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year	395	0	0	(395)
Amortisation of intangible assets	(191)	0	0	191
Revenue expenditure funded from capital under statute	(1,513)	0	0	1,513
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,416	0	0	(1,416)
Capital expenditure charged against General Fund balances	398	0	0	(398)
Revaluation gains charged direct to Revaluation Reserve				
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	1,947	0	(1,947)	0
Application of grants to capital financing transferred to the CAA	816	0	1,046	(1,863)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	229	0	(229)
Other adjustment				
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(5,103)	0	0	5,103
Employer's pensions contributions and direct payments to pensioners payable in the year	2,456	0	0	(2,456)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements	51	0	0	(51)
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	3,844	0	0	(3,844)
Total Adjustments	5,470	229	(901)	(4,798)

2020-21	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the CIES</u>				
Charges for depreciation and impairment of non current assets	(2,153)	0	0	2,153
Revaluation losses on Property Plant and Equipment	(2,001)	0	0	2,001
Reversal of movements in the market value of Investment Properties	(1,237)	0	0	1,237
Reversal of impairment charges to the CIES of non-current assets in prior years where the non-current assets have had an upward revaluation in year	68	0	0	(68)
Amortisation of intangible assets	(94)	0	0	94
Revenue expenditure funded from capital under statute	(1,521)	0	0	1,521
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,359	0	0	(1,359)
Capital expenditure charged against General Fund balances	200	0	0	(200)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	2,395	0	(2,395)	0
Application of grants to capital financing transferred to the CAA	724	0	1,654	(2,378)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	485	0	(485)
Other transfers				
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,723)	0	0	3,723
Employer's pensions contributions and direct payments to pensioners payable in the year	2,420	0	0	(2,420)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the CIES differs from council tax income calculated in accordance with statutory requirements	2	0	0	(2)
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	(7,747)	0	0	7,747
Total Adjustments	(11,306)	485	(742)	11,563

Note 10: Movements in Usable Reserves

	Balance at 31 March 2020 £'000	Transfers		Balance at 31 March 2021 £'000	Transfers		Balance at 31 March 2022 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
General Fund	(3,426)	0	43	(3,383)	0	530	(2,853)
Strategic Reserves							
Insurance	(466)	(1)	25	(442)	(1)	9	(434)
Repairs and Renewals	(360)	(34)	3	(391)	(66)	1	(456)
Interest Equalisation	(400)	0	0	(400)	0	400	0
VAT Reserve	(251)	0	52	(199)	(8)	0	(206)
Place Development Reserve (Formerly Housing & Planning Delivery Grant)	(87)	0	0	(87)	(176)	39	(225)
Property Maintenance	(550)	(173)	175	(548)	(223)	82	(689)
Commuted Sums	(1,464)	(29)	46	(1,447)	(29)	36	(1,439)
Corporate Projects Reserve	(3,956)	(826)	110	(4,673)	(756)	1,299	(4,130)
Community Safety	(111)	(2)	4	(109)	0	5	(104)
Local Partnership Fund	(28)	0	0	(28)	0	0	(28)
Prevention, Personalisation & Partnership Fund	(73)	0	0	(73)	0	0	(73)
Business Rates Equalisation	(1,291)	(8,015)	0	(9,306)	(2,736)	6,884	(5,158)
Residential Property Acquisition Fund	(1,161)	0	95	(1,066)	0	49	(1,017)
Property Income Equalisation	(3,830)	(1,666)	0	(5,496)	(3,102)	138	(8,459)
HIA Hardship fund	(88)	(36)	0	(124)	0	0	(124)
Sports & Leisure Development	(86)	(2)	0	(87)	(2)	13	(76)
Housing/Homelessness Support Grants	(596)	0	211	(385)	(63)	116	(332)
Homelessness Reduction Act	(19)	0	0	(19)	0	19	0
Mortgage Rescue Funding	(9)	0	0	(9)	0	9	0
Surrey Homeless Alliance Funding	(1)	0	0	(1)	0	1	0
Basic Payments Scheme	(123)	(19)	0	(141)	(3)	2	(142)
Covid Grants Reserve	0	(121)	0	(121)	(94)	52	(163)
Subtotal Strategic Reserves	(14,948)	(10,924)	721	(25,152)	(7,259)	9,154	(23,255)
Community Infrastructure Levy	(7,677)	(2,574)	1,833	(8,419)	(2,084)	1,183	(9,320)
Capital Receipts Reserves	(4,535)	0	485	(4,050)	0	229	(3,821)
Total Usable Reserves	(30,586)	(13,498)	3,082	(41,003)	(9,343)	11,096	(39,249)

Note 11: Other Operating Expenditure in CIES

2020/21 £'000		2021/22 £'000
0	(Gains) /Losses on the Disposal of Non-Current Assets	0
0	Total	0

Note 12: Financing and Investment Income and Expenditure in CIES

2020/21 £'000		2021/22 £'000
1,835	Interest Payable and Similar Charges	1,807
864	Net Interest on the Net Defined Benefit Liability	940
1,237	Movement in Investment Property Valuations	(4,311)
(2,960)	Investment Property Rentals Trading Account	(5,298)
(1,874)	Interest Receivable and Similar Income	(1,887)
(986)	Other Income from Subsidiary	(726)
(1,883)	Total	(9,474)

Note 13: Taxation and Non Specific Grant Income in CIES

The Council recognised the following taxation and non-specific grant income in the year:

2020/21 £'000		2021/22 £'000
(6,726)	Council Tax Income	(6,948)
(1,920)	Non Domestic Rates & S31 Relief Grants	(1,366)
(385)	New Homes Bonus Grant*	(249)
(1,018)	Covid-19 Unringfenced Support Grant	(365)
(3,082)	Covid-19 Income Compensation Scheme	(506)
(2,565)	Capital Grants and Contributions	(2,143)
(15,697)	Total	(11,576)

*New Homes Bonus received in 2021/22 was £0.25m, however, this sum was transferred to the Corporate Project Reserve and is not used to fund the general fund budget. Further grants credited to services are detailed in Note 14.

Note 14: Other Government Grants Credited to Services

In addition to Taxation and Non Specific Grant Income in Note 13 the following significant government grants and contributions were credited to Cost of Services in the CIES:

2020/21 £'000		2021/22 £'000
(49)	Council Tax Support Admin Grant	(122)
(169)	Benefits Admin Grant	(130)
(17,173)	Rent Allowances- Housing Benefit Subsidy	(16,033)
(4)	Elections	(81)
(137)	Personal Services	(201)
(86)	Highways and parking	(83)
(138)	Venues	(116)
(567)	Homelessness & Rough Sleepers	(821)
(585)	Covid-19 New Burden & Support Grants	(529)
(1,937)	Covid-19 Support for eligible Businesses & Individuals	(1,442)
(722)	Contain Outbreak Management Fund (Covid-19)	(79)
0	Place Development Grants	(145)
0	Youth Hub	(52)
(734)	Disabled Facilities Grant	(455)
(99)	Other Smaller Grants	(140)
(22,400)	Total	(20,431)

Capital Grants and Contributions Receipts in advance

These are grants held that were received in advance or where the Council has not yet satisfied the condition attached to the grant but expects to meet the conditions in the future.

2020/21 £'000		2021/22 £'000
(3,230)	Other grants and Section 106 Contributions	(3,203)
(3,230)	Total	(3,203)

Note 15: Property, Plant and Equipment

Property, Plant and Equipment Valuation

The Borough Council's property portfolio is valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end; as a minimum, revaluations occur at least once every five years. In line with the Code of Practice the Council maintains a valuation programme that concentrates on categories of assets. Valuations are undertaken by Wilks, Head and Eve, Chartered Surveyors. The properties that were revalued in 2021/22 account for £80.36 million of the gross book value of assets at 31 March 2022.

Despite the impact of the Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards.

The UK officially left the EU with the transition period ending as of 31st December 2020. Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise. There remains therefore a period of uncertainty in relation to many factors that impact the construction markets, supply & demand and, costs associated with this market.

The recent Russian invasion of Ukraine has added to the levels of global uncertainty during the period. As a response the international community has been united in applying sanctions against the Russian state which is now reported to be having an impact on the Russian economy. The reliance on energy resource may lead to wider implications across Europe although this may be more relevant to the 2022-23 financial period. Whilst there doesn't appear to be any specific impact to the value of the assets within the portfolio because of the invasion currently this will continue to be monitored as the crisis develops.

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

Properties are also revalued to take into account any potential impairment in their value and also consequently upon construction and the completion of any material improvements.

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 – 5 to 50 years
- Vehicles, plant and equipment – 1 to 39 years
- Infrastructure Assets – 4 to 50 years

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2021/22

Property, Plant Equipment & Surplus Assets	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1 April 2021	73,560	9,190	1,108	4,375	353	592	89,178
Additions	71	197	119	0	458	0	847
Revaluation Movement Recognised in the Revaluation Reserve	(5,412)	109	0	0	0	0	(5,303)
Derecognition - Disposals	0	(475)	0	0	0	0	(475)
Assets Reclassified	0	83	0	0	(83)	0	0
Other Movements	0	0	0	0	0	0	0
Gross Book Carrying Value at 31 March 2022	68,219	9,106	1,227	4,375	728	592	84,247
Accumulated Impairment & Depreciation as at 1 April 2021	(3,377)	(2,500)	(32)	(942)	0	0	(6,851)
Depreciation Charge for the Year	(1,482)	(705)	(30)	0	0	0	(2,217)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	(743)	0	0	0	0	0	(743)
Derecognition - disposals	0	474	0	0	0	0	474
Depreciation Written out to the Revaluation Reserve	521	0	0	0	0	0	521
Accumulated Impairment & Depreciation as at 31 March 2022	(5,081)	(2,731)	(62)	(942)	0	0	(8,816)
TOTAL NET CARRYING BOOK VALUE at 31 March 2022	63,138	6,375	1,166	3,433	728	592	75,431

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2020/21

Property, Plant Equipment & Surplus Assets	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Totals
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1 April 2020	70,519	9,743	158	4,384	1,495	592	86,891
Additions	83	0	0	0	1,154	0	1,237
Revaluation Movement Recognised in the Revaluation Reserve	1,832	70	0	0	0	0	1,902
Revaluation movement recognised in the Surplus/Deficit on the Provision of Service							0
Derecognition - Disposals	0	(623)	0	0	0	0	(623)
Assets Reclassified	1,126	0	950	0	(2,296)	0	(220)
Other Movements	0	0	0	(9)	0	0	(9)
Gross Book Carrying Value at 31 March 2021	73,560	9,190	1,108	4,375	353	592	89,178
Accumulated Impairment & Depreciation as at 1 April 2020	(1,152)	(2,455)	(21)	(942)	0	0	(4,570)
Depreciation Charge for the Year	(1,334)	(808)	(11)	0	0	0	(2,153)
Depreciation written out to the Surplus/Deficit on the Provision of Service	(1,933)	0	0	0	0	0	(1,933)
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	0	0	0	0	0	0	0
Derecognition - disposals	0	623	0	0	0	0	623
Depreciation Written out to the Revaluation Reserve	1,042	140	0	0	0	0	1,182
Accumulated Impairment & Depreciation as at 31 March 2021	(3,377)	(2,500)	(32)	(942)	0	0	(6,851)
TOTAL NET CARRYING BOOK VALUE at 31 March 2021	70,183	6,690	1,076	3,433	353	592	82,327

Capital Expenditure

Capital expenditure and revenue expenditure funded from capital under statute (REFCUS) of £2.523m was incurred in 2021/22 as follows:

2020/21 £'000		2021/22 £'000
1,237	Non Current Assets - PPE	847
124	Investment Assets	0
191	Intangibles	164
1,521	Revenue Expenditure Funded from Capital Under Statute	1,513
3,073	Total Capital Expenditure	2,523

Funding of capital expenditure is detailed below:

2020/21 £'000		2021/22 £'000
485	Capital Reserves	229
734	Government Grants	455
200	Revenue	398
0	Section 106 Receipts	361
1,654	Community Infrastructure Levy Receipts	1,046
3,073	Subtotal Capital Funding	2,489
0	Vehicle Finance Lease - to be financed in future years	34
3,073	Total	2,523

A net contribution of £398k (£200k contribution in 2020/21) was set aside from revenue to finance capital expenditure in 2021/22.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2022 amounts to £380k as detailed below.

2020/21 £'000		2021/22 £'000
1,127	Plan E Town Centre works	0
23	Outdoor Gym - Chessington Rd	0
410	Replacement of CRM and Data Warehouse	380
76	Renewal of Town Hall lifts	0
1,636	Total Capital Commitments	380

Componentisation

When valuing the assets for the five-year rolling programme, the valuer considered component accounting requirements. Typically, operational properties are split into land and building components.

Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair value is re-valued, at least every five years. All operational buildings have been revalued within the past two years. In 2019/20, the Council engaged a new property valuing firm, Wilks, Head & Eve, following a competitive procurement exercise. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

Valued at fair value as at:	31 March 2019 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2022 £'000
Operational Assets				
Land and Buildings	13,518	40,412	31,291	21,462

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

Note 16: Investment Properties

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

2020/21		2021/22
£'000		£'000
(3,302)	Rental Income from Investment Property	(5,733)
342	Other Net Expenditure Arising from Investment Property	435
(2,960)	Net (Income)/Expenditure	(5,298)

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

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see 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.

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 2022 by Wilks Head and Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Despite the impact of the Covid-19 pandemic, at the reporting date, Wilks, Head and Eve state that property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The following table summarises the movement in the fair value of investment properties over the year.

2020/21 £'000		2021/22 £'000
55,776	Balance at the Start of the Year	54,663
124	Purchases/Enhancements	0
0	Disposals	0
(1,237)	Net gains/(losses) from Fair Value Adjustments	4,311
0	Transfers to Assets Held For Sale/Other adjustments	0
54,663	Balance at the Year End	58,974

Note 17: Intangible Assets

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

2020/21 £'000		2021/22 £'000
	Balance at the start of the year	
540	Gross Carrying Amounts	786
(246)	Accumulated Amortisation	(175)
294	Net Carrying Amount at the Start of the Year	611
191	Additions	164
220	Assets under construction brought into use	0
(165)	Disposals	(24)
165	Amortisation written out on disposal	24
(94)	Amortisation for the Period	(191)
611	Net Carrying Value at the End of the Year	584

Note 18: Financial Instruments

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

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

2020/21			2021/22	
Non-Current £'000	Current £'000		Non-Current £'000	Current £'000
		Financial Assets - Loans and Investments		
60,293	0	Loans and Investments (Amortised Cost)	60,293	10,000
0	18,700	Loans and Investments (FVPL)	0	25,000
60,293	18,700	Total Loans and Investments	60,293	35,000
		Financial Assets - Debtors		
0	3,495	Trade Debtors (Amortised Cost)	0	1,822
0	6	Other Debtors (Amortised Cost)	0	1
0	3,501	Total included in Debtors	0	1,823
		Financial Liabilities - Borrowings		
(64,427)	0	Borrowings (Amortised Cost)	(64,427)	0
(64,427)	0	Total included in Borrowings	(64,427)	0
		Other Financial Liabilities		
(2,257)	(409)	Finance Lease (Amortised Cost)	(1,877)	(410)
(2,257)	(409)	Total included Other Financial Liabilities	(1,877)	(410)
		Financial Liabilities - Creditors		
0	(2,430)	Creditors (Amortised Cost)	0	(1,561)
0	(2,430)	Total included in Creditors	0	(1,561)

Cash and cash equivalents are also financial assets and are disclosed separately in Note 20.

Material Soft Loans made by the Council

The Council has no material soft loans outstanding at 31 March 2022.

Unquoted Equity Instruments Measured at Cost

The Council has a shareholding in Epsom & Ewell Property Investment Company Limited (representing 100% of the company's capital). The shares are carried at cost of £24.117m and have not been re-valued, as a fair value cannot be measured without incurring excessive expense. The company was formed in September 2017. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. There is no indication that the investment may be materially impaired. The Council has no current intention to dispose of the shareholding.

Income, Expense, Gains and Losses

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

2020/21				2021/22		
Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000		Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000
208	0	208	Interest expense - finance leases	181	0	181
1,625	0	1,625	Interest expense - borrowings	1,625	0	1,625
0	0	0	Fee expense	0	0	0
1,833	0	1,833	Total expense in Surplus or Deficit on the Provision of Services	1,806	0	1,806
0	(63)	(63)	Interest Income - treasury investments	0	(76)	(76)
0	(1,809)	(1,809)	Interest Income - loans to subsidiary	0	(1,809)	(1,809)
0	(1,872)	(1,872)	Total Income in Surplus or Deficit on the Provision of Services	0	(1,885)	(1,885)
1,833	(1,872)	(39)	Net (Income)/Expenditure for the Year	1,806	(1,885)	(79)

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 the finance team, under policies approved by Strategy & Resources Committee in the Treasury Management Strategy.

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 £5m maximum sum to be invested with financial institutions located within each category.

The financial assets held by the Council at 31 March 2022 are detailed below.

Financial Asset Category	Counterparty	Investment at 31 March 2022
Cash Equivalents - Fair Value Through Profit & Loss		
Deposits with Money Market Funds	Goldman Sachs	£5.0m
	Deutsche	£5.0m
	RBS	£5.0m
	UBS	£5.0m
	State Street	£5.0m
Total Cash Equivalents		£25.0m
Short Term Investments - Amortised Cost		
Fixed Term Deposit with Building Societies and banks	Standard Chartered	£5.0m
	Goldman Sachs	£5.0m
Total Short Term Investments		£10.0m

The Authority's maximum exposure to credit risk in relation to its investments is £35m. The Council has assessed its investment portfolio for signs of impairment, in accordance with the requirements of IFRS 9. All treasury investments are held in low risk funds and/or with low risk

counterparties. As such, any impairment to the investment portfolio is immaterial and has not been recognised in the CIES.

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

	Amount at 31 March 2022 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31-Mar-22 %	Estimated maximum exposure to default and un- collectability at 31 March 2022 £'000	Historical experience adjusted for market conditions at 31-Mar-21 %	Estimated maximum exposure at 31-Mar-21 £'000
	A	B	C	(A x C)	C	
<u>Money Market Funds</u>		0	0	0	0	0
Goldman Sachs	5,000	0	0	0	0	0
Deutsche	5,000	0	0	0	0	0
RBS	5,000	0	0	0	0	0
UBS	5,000	0	0	0	0	0
State Street	5,000	0	0	0	0	0
<u>Fixed Term Deposits</u>						
Standard Chartered	5,000	0	0	0	0	0
Goldman Sachs	5,000	0	0	0	0	0
<u>Other</u>						
Customers	1,822	3.18%	52.45%	956	18.99%	664

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 Council does not generally allow credit for customers, but of the £1.8m balance £1.4m is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-21 £'000		31-Mar-22 £'000
874	Less than three months	243
513	Three to Five months	134
826	More than Five Months	1,018
2,213	Total	1,395

To reflect the increased aged debtors, the bad debt provision has increased by a net £291k, from £664k at 31 March 2021 to £955k at 31 March 2022.

Liquidity Risk

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

Market & Interest rate risk: The Council is exposed to relatively modest 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.

The Council has a number of strategies for managing interest rate risk. The finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated in the budget setting process.

According to this assessment strategy, at 31 March 2022, 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	199
Impact on Surplus or Deficit on the Provision of Services	199
Decrease in fair value of fixed rate investment assets	61

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 2021/22 compared to 2020/21.

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

These investments are included in the balance sheet at amortised cost less any expected credit loss (if short term investments) and those not due within the next year (long term investments).

Fair Values of Financial Assets and Financial Liabilities

All financial assets and financial liabilities held by the Authority are carried in the Balance Sheet at amortised cost or fair value through profit or loss. The fair values are calculated as follows; where cost is used as the proxy for fair value, this falls within Level 3 of the fair value hierarchy.

Financial Assets

The Other Investments and Trade Debtors are short term in nature, and therefore the fair value is not materially different for the book value. There is no impairment implication for investments. Short term debtors are carried at cost less any impairment, as this is a fair approximation of their value.

31-Mar-21			31-Mar-22	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Assets		
24,117	24,117	Unquoted Equity Investment (Amortised Cost)	24,117	24,117
36,176	69,285	Loans to Subsidiary (Amortised Cost)	36,176	62,687
0	0	Other Investments (Amortised Cost)	10,000	9,995
18,700	18,700	Other Investments (FVPL)	25,000	25,000
3,495	3,495	Trade Debtors (Amortised Cost)	1,822	1,822
82,488	115,597	Total Financial Assets	97,115	123,621

It has not been possible to establish fair value of the Council's equity investment in its subsidiary company. There are no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. There is no indication that the investment may be impaired. The Council has no current intention to dispose of the shareholding.

Financial Liabilities

31-Mar-21			31-Mar-22	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
64,427	74,677	PWLB Loans	64,427	67,196
2,666	2,666	Finance Lease Liabilities	2,287	2,287
2,430	2,430	Creditors	1,501	1,501
69,523	79,773	Total Financial Liabilities	68,215	70,984

The Council's PWLB loans and loans to its subsidiary have been fair-valued by Link Asset Services, using Level 2 inputs based on both redemption and new borrowing rates. Financial Lease Liabilities and Short Term Creditors are carried at contracted amounts.

Note 19: Debtors

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

2020/21 £'000		2021/22 £'000
1,744	Central government bodies	106
1,001	Other Local Authorities	528
279	Council Tax Payers	379
150	Non Domestic Rate Payers	333
2,837	Other Entities and individuals	1,515
6,011	Total Debtors	2,861

Long term debtors (greater than 365 days):

2020/21 £'000		2021/22 £'000
336	Lease Debtors	630
36,176	Loans to Subsidiary	36,176
36,512	Total	36,806

Note 20: Cash and Cash Equivalents

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

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

2020/21 £'000		2021/22 £'000
2,024	Cash at Bank	9,635
18,700	Cash Equivalents	25,000
20,724	Cash and Cash Equivalents	34,635

Note 21: Creditors

A summary of creditors is detailed below.

2020/21		2021/22
£'000		£'000
(7,521)	Central Government Bodies	(24,857)
(244)	Other Local Authorities	(1,616)
(87)	Council Tax Payers	(91)
(66)	Non Domestic Ratepayers	(445)
(4,346)	Other Entities and individuals	(3,281)
(12,264)	Total	(30,290)

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

	NDR Appeals
	£'000
2020/21	
Opening balance at 1 April 2020	(426)
Adjustment to opening balance	(103)
Net additional provision made in year	(7)
Balance at 31 March 2021	(536)
2021/22	
Opening balance at 1 April 2021	(536)
Net reduction in provision	77
Balance at 31 March 2022	(459)

The Council has one outstanding provision of £0.459m for its share of appeals against NDR (Business Rates) charges. The total £0.459m provision reflects an estimate of the potential effects of appeals that may be settled in future years.

Note 23: Reserves

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

Reserve	Balance 2020/21 £'000	Net Movement in year £'000	Balance 2021/22 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,383)	530	(2,853)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(25,152)	1,896	(23,255)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Grants Unapplied Account (CIL)	(8,419)	(901)	(9,320)	Community Infrastructure Levy used to fund investment in infrastructure.	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(4,050)	229	(3,821)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total Usable Reserves	(41,003)	1,754	(39,249)		
Revaluation Reserve	(49,013)	4,782	(44,231)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(59,224)	(3,551)	(62,775)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Council Tax Adjustment Account	(5)	(51)	(56)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	6,614	(3,844)	2,770	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	46,201	(9,408)	36,793	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 32
Total Unusable Reserves	(55,428)	(12,072)	(67,500)		
Total Reserves	(96,431)	(10,318)	(106,749)		

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 is 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.

2020/21 £'000		2021/22 £'000
(45,929)	Balance at 1 April	(49,013)
(7,229)	Upward revaluation of assets	(2,340)
4,145	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	7,122
(3,084)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	4,782
(49,013)	Balance at 31 March	(44,231)

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. 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 as follows:

2020/21 £'000		2021/22 £'000
(61,739)	Balance brought forward at 1 April	(59,224)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
2,153	- charges for depreciation and impairment of non-current assets	2,217
1,932	- revaluation (gains)/losses on property, plant & equipment	743
94	- amortisation of intangible assets	191
1,521	- revenue expenditure funded from capital under statute	1,513
0	- 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	0
5,700	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	4,664
(56,039)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(54,560)
	<u>Capital Financing Applied in the Year</u>	
(485)	- use of the Capital Receipts Reserve used to finance new expenditure	(229)
(2,378)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,863)
(1,359)	- statutory provision for the financing of capital investment charged against the general fund	(1,416)
(200)	- capital expenditure charged against the General Fund	(398)
(4,422)	Total Capital Financing Applied	(3,905)
1,237	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,311)
(59,224)	Balance Carried Forward at 31 March	(62,775)

Usable Capital Receipts Reserve

2020/21 £'000		2021/22 £'000
(4,535)	Balance brought forward at 1 April	(4,050)
0	Amounts receivable in year	0
485	Amounts applied to finance new capital investment	229
485	Total (Increase)/decrease in realised capital receipts	229
(4,050)	Balance carried forward at 31 March	(3,821)

The usable capital receipts reserve represents the receipts available to finance capital expenditure in future years, after setting aside the required statutory amounts for the repayment of external loans.

Pensions Reserve

Pension costs are detailed in Note 32.

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 CIES 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.

2020/21 £'000		2021/22 £'000
(1,136)	Balance at the start of the year	6,609
(2)	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	(51)
7,747	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	(3,844)
6,609	Balance at the end of the year	2,714

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

2020/21 £'000	Details	2021/22 £'000
(4,086)	Charges for depreciation, impairment, and revaluation of non-current assets	(2,961)
(1,237)	Movements in the market value of Investment Properties	4,311
(94)	Amortisation of intangible assets	(191)
(1,303)	Movement in pension liability	(2,647)
(70)	Increase/(decrease) in debtors	(2,634)
(646)	(Increase)/decrease in creditors	1,087
(110)	(Increase)/decrease in provisions	76
3	Increase/(decrease) in inventories	12
(7,543)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	(2,947)

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

2020/21 £'000	Details	2021/22 £'000
4,394	Capital Grants credited to surplus or deficit on the provision of services	3,608
4,394	Total	3,608

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2020/21 £'000	Details	2021/22 £'000
957	Purchase of property, plant and equipment, investment property and intangible assets	865
(5,000)	Short Term Investments	10,000
(4,394)	Capital Grants Received	(3,608)
(8,438)	Total	7,257

Note 26: Cashflow from Financing Activities

2020/21 £'000	Details	2021/22 £'000
380	Cash payments for the reduction of finance leases	413
(428)	Other financing activities (collection fund and grant agency arrangements)	(19,197)
(47)	Total	(18,784)

The changes in the Council's liabilities arising from financing activities can be classified as follows:

	Borrowings £'000	Lease Liabilities £'000	Total £'000
2020/21			
Opening Balance at 1 April 2020	(64,427)	(3,046)	(67,473)
<u>Cash Flows</u>			
Repayment	0	380	380
Balance at 31 March 2021	(64,427)	(2,666)	(67,093)
2021/22			
<u>Cash Flows</u>			
Repayment		413	413
<u>Non-Cash</u>			
Acquisition	0	(34)	(34)
Balance at 31 March 2022	(64,427)	(2,287)	(66,714)

Note 27: Members' Allowances

The authority paid the following amounts to members of the council during the year:

Payments made	2020/21 £'000	2021/22 £'000
Salaries	0	0
Allowances	182	185
Expenses	0	6
Total	182	190

Note 28: Executive Remuneration Bands and Exit Packages

The following table shows the number of staff whose total remuneration, excluding employer's pensions contribution but including gross salary, expense allowances, supplements, compensation for loss of office (i.e. redundancy) and benefits, exceed £50k in bands of £5k:

No. of Staff 2020/21	Remuneration Range	No. of Staff 2021/22
3	£50,000 - £54,999	2
3	£55,000 - £59,999	1
3	£60,000 - £64,999	4
0	£65,000 - £69,999	1
6	£70,000 - £74,999	6
1	£75,000 - £79,999	0
0	£85,000 - £89,999	1
1	£95,000 - £99,999	0
1	£115,000 - £119,999	0
0	£120,000 - £124,999	1
18	Total	16

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below.

2021/22	Chief Executive £'000	Director of Environment, Housing and Regeneration £'000	Director of Corporate Services £'000	Chief Finance Officer £'000	Chief Legal Officer £'000
Salary	112	78	57	71	41
Expenses Allowances	4	4	2	0	0
Other Benefits	8	7	4	0	0
Total remuneration excluding Pension contributions	124	89	64	71	41
Pension Contributions	19	14	10	12	7
Total remuneration including pension contributions 2021/22	144	102	74	83	48

The Chief Operating Officer left the Council in January 2021 and was not replaced directly during the year. During 2021/22, the Council has employed two new Directors; a Director of Environment, Housing and Regeneration (started May 2022) and a Director of Corporate Services (started August 2022). The Chief Legal Officer left the Council during 2021/22 and the post has not been directly replaced.

Comparative 2020/21 figures are shown in the following table:

2020/21	Chief Executive £'000	Chief Finance Officer £'000	Chief Legal Officer £'000	Chief Operating Officer £'000
Salary	107	72	76	89
Expenses Allowances	4	0	0	3
Other Benefits	8	0	0	6
Total remuneration excluding Pension contributions	119	72	76	98
Pension Contributions	19	12	13	14
Total remuneration including pension contributions 2020/21	138	84	90	112

Exit Packages

Following a corporate restructure in 2021/22, there were 13 exit packages paid totalling £295k including obligatory pension contributions. There were no exit packages paid in the prior year.

No. of Staff 2020/21	Exit Packages	No. of Staff 2021/22
0	£0 - £19,999	9
0	£20,000 - £39,999	3
0	£120,000 - £139,000	1
0	Total	13

Note 29: Audit Costs

In 2021/22, the Council expects to incur the following fees relating to external audit and inspection:

2020/21 Restated* £'000		2021/22 £'000
34	Scale fee payable to the external auditors with regard to external audit	34
26	Additional audit fee variations (21/22 is subject to agreement of PSAA)	26
6	Additional fees for 20/21 Housing Benefit CAKE testing incurred in 21/22	0
16	Fees payable to the external audit for the certification of Housing Benefit subsidy claim	25
82	Total	85

*2020/21 figures have been re-stated to include an additional £6k fee, which arose post-year-end on the 2020/21 Housing Benefit audit. This additional £6k fee has been charged to the CIES in 2021/22.

Note 30: Capital Financing Requirement

2020/21 £'000		2021/22 £'000
91,636	Opening Capital Financing Requirement	90,277
	Capital investment:	
83	Property, Plant and Equipment	388
124	Investment Properties	0
1,154	Assets under Construction	458
0	Community Assets	0
191	Intangible Assets	164
1,521	Revenue Expenditure Funded from Capital under Statute	1,513
(10)	Other movements*	0
	Sources of finance:	
(485)	Capital receipts	(229)
(2,378)	Government grants and other contributions	(1,863)
	Sums set aside from revenue:	
(200)	Direct revenue contributions	(398)
(1,359)	Minimum Revenue Provision	(1,416)
90,277	Closing Capital Financing Requirement	88,895
(1,359)	Increase/(decrease) in Capital Financing Requirement	(1,382)

* Correcting adjustment for over-accrued expenditure of £9.5k in the prior year.

Note 31: Finance and Operating Leases

Finance Leases in (Council as Lessee):

The Council has acquired a number of vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2020/21 £'000		2021/22 £'000
2,863	Vehicles, Plant, and Equipment	2,451

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:

2020/21 £'000		2021/22 £'000
409	Finance lease liabilities: Current	410
2,257	Finance lease liabilities: non-Current	1,877
616	Finance costs payable in future years – Interest	443
3,282	Minimum lease payments	2,731

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2020/21 £'000	2020/21 £'000		2021/22 £'000	2021/22 £'000
588	409	Not later than one year	558	410
2,128	1,713	Later than one year and not later than five years	2,090	1,797
566	544	Later than five years	82	81

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)

The Council has no material operating leases in.

Operating Leases out (Council as Lessor)

In 2021/22 the Council received £5.733m (note 16) gross rental income from investment properties (£3.302m in 2020/21), the majority 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 £58.2m in 2021/22 (£53.9m in 2020/21).

The lease payments receivable in future years are:

Lease Income at 31 March 2021 £'000		Lease Income at 31 March 2022 £'000
2,728	Not later than one year	2,861
6,969	Later than one year and not later than five years	9,523
76,989	Later than five years	85,593
86,686	Total	97,977

£41.9 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

Note 32: Pension Costs

Participation in Pension Schemes

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

The authority participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Transactions Relating to Retirement Benefits

EEBC recognises 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 required 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:

2020/21 £'000		2021/22 £'000
	Comprehensive Income and Expenditure Statement	
	<u>Net Cost of Services:</u>	
2,859	Current service cost	4,038
0	Past service gain/cost	125
	<u>Financing and Investment Income and Expenditure:</u>	
864	Net Interest Expense	940
3,723	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,103
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
1,363	Changes in demographic assumptions	(635)
23,864	Changes in financial assumptions	(7,882)
(1,136)	Other experience	259
(16,547)	Return on assets excluding amounts included in net interest	(3,797)
7,544	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(12,055)
	<u>Movement in Reserves Statement</u>	
(3,723)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(5,103)
2,420	Employers' contributions payable to scheme	2,456

Assets and Liabilities in Relation to Post-employment Benefits

The liabilities shown below are the underlying commitments that the authority has to pay in retirement benefits over the long-term. The total net decrease in liability of £9.4m impacts the net assets of the authority as recorded in the balance sheet, resulting in an overall pension liability of £36.8m. The pension liability is 34.5% of the balance sheet net value in 2021/22 compared to 48% in 2020/21.

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

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2022 are as follows:

2020/21 £'000		2021/22 £'000
(100,859)	1 April 2021	(127,127)
(2,859)	Current service cost	(4,038)
0	Past service cost	(125)
(2,317)	Interest cost	(2,552)
(596)	Contribution from scheme participants	(549)
90	Unfunded benefits paid	90
3,505	Benefits paid	3,468
	<u>Remeasurement gains/(losses):</u>	
(1,363)	- actuarial gains/losses arising from changes in demographic assumptions	635
(23,864)	- actuarial gains/losses arising from changes in financial assumptions	7,882
1,136	- Other experience	(259)
(127,127)	Estimated scheme liabilities at 31 March 2022	(122,575)
63,505	1 April 2021	80,926
	Adjustment to opening balance	
1,453	Interest income	1,612
	<u>Remeasurement gain/(loss):</u>	
16,547	- return on plan assets, excluding the amount in net interest expense	3,797
2,330	Contributions from employer	2,366
596	Contributions from employees into the scheme	549
(3,505)	Benefits paid	(3,468)
80,926	Estimated scheme assets at 31 March 2022	85,782
(46,201)	Net asset / (liability) 31 March 2022	(36,793)

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

2020/21 £'000		2021/22 £'000
18,000	Actual return as per actuaries	5,409

The return on the fund in market value terms for the period to 31 March 2022 is estimated based on actual funds return as provided by the administering authority and index returns where necessary.

Scheme History

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Present value of liabilities:						
Local Government Pension Scheme	(100,284)	(101,242)	(109,928)	(100,859)	(127,127)	(122,575)
Fair Value of Assets:						
Local Government Pension Scheme	66,991	67,207	70,394	63,505	80,926	85,782
Total	(33,293)	(34,035)	(39,534)	(37,354)	(46,201)	(36,793)

Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit will be made good by increased contributions over the remaining working life of employees (before payments fall due), as assessed by scheme actuary.

The Council expects to make employer's contributions totalling an estimated £2.298m into the Local Government Pension Scheme in the year to 31 March 2023.

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 are:

2020/21		2021/22
	Longevity at 65 for current pensioners:	
22.3	Men	22.1
24.7	Women	24.5
	Longevity at 65 for future pensioners:	
23.4	Men	23.1
26.4	Women	26.2
2.9%	Rate of increase in pensions	3.2%
3.8%	Rate of increase in salaries	4.1%
2.0%	Rate for discounting scheme liabilities	2.7%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

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

- 0.1% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £2.16m (2%)
- 0.1% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £0.15m (0%)

- 0.1% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £1.99m (2%)

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

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

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 18 years.

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 Fund Assets		Percentage of Fund Assets
2020/21		2021/22
74%	Equity Investments	77%
18%	Bonds	14%
6%	Property	6%
2%	Cash	3%
100%	Total	100%

Movement in net pension liability:

2020/21 £'000		2021/22 £'000
(37,354)	Opening Balance	(46,201)
(2,859)	Current Service Costs	(4,038)
0	Past Service gains/(Costs)	(125)
(864)	Net Interest Expense	(940)
2,420	Employer Contributions	2,456
(7,544)	Remeasurements	12,055
(46,201)	Closing Balance	(36,793)

Note 33: Contingent Liabilities & Assets

Contingent Liabilities

The Council had been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd that the amount subject to levy is £83,615 which may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities. The amount is unchanged from 31 March 2021. The Council's earmarked Insurance Reserve includes an amount to cover any potential future claims.

The Council is supporting an ongoing Health & Safety Executive investigation following an incident in December 2021 involving a waste collection vehicle. At 31 March 2022 there are no known material financial impacts, however, this remains under review as it depends on the outcome of the investigation. Should any financial impact arise, it will be included in the financial statements in line with proper accounting practice.

Contingent Assets

There are no material contingent assets at 31 March 2022.

Note 34: Related Parties

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to influence the Council or be 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 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 core statements and supporting notes.

Members of the Council have direct control over the Council's financials and operating policies. The net cost to Epsom and Ewell Borough Council of related party transactions was £541k in 2021/22 (£697k in 2020/21). The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2020/21 £'000	2021/22 £'000
Age Concern	18	27
British Telecommunications Plc	11	17
Citizen Advice Bureau	126	133
F Giles	1	0
Horton Chapel Arts & Heritage Society	488	303
London Borough of Merton	7	49
Local Government Association	9	9
Reed Employment	37	4
Total	697	541

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2022, four Council officers served as Directors of EEPIC – the Chief Executive, Head of Finance, Head of Property and Regeneration, and Head of Housing & Environmental Services. One Council officer – the Senior Accountant – served as Company Secretary. Under EEPIC's Business Plan, originally approved by Council in September 2017 and subsequently by the Shareholder Subcommittee each year, the Council provided loans and equity to EEPIC, for it to invest in commercial property and generate a return. During 2021/22 the Council entered into the following related party transactions with EEPIC:

Transaction Description	2020/21 £'000	2021/22 £'000
<u>Amounts received by EEPIC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(118)	(123)
Dividend from EEPIC	(868)	(603)
Total	(2,795)	(2,535)

The combined financial position of the Council and EEPIC is shown in the group accounts.

Note 35: Collection Fund Income and Expenditure Account

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

2020/21				2021/22		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(66,081)	(66,081)	INCOME:	0	(68,410)	(68,410)
(10,036)	0	(10,036)	Council Tax Receivable	(18,697)	0	(18,697)
329	0	329	Business Rates Receivable	149	0	149
			Transitional Payments Payable			
(9,707)	(66,081)	(75,788)	Total Income	(18,547)	(68,410)	(86,958)
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
56	0	56	Central Government	(8,030)	0	(8,030)
1,425	11	1,436	Epsom & Ewell Borough Council	(6,424)	(6)	(6,430)
3,231	77	3,308	Surrey County Council	(1,606)	(46)	(1,652)
0	14	14	Surrey Police Authority	0	(8)	(8)
			Precepts, Demands and Shares			
12,637	0	12,637	Central Government	12,686	0	12,686
10,110	6,713	16,823	Epsom & Ewell Borough Council	10,149	6,904	17,053
2,527	49,908	52,435	Surrey County Council	2,537	51,351	53,889
0	8,934	8,934	Surrey Police Authority	0	9,467	9,467
			Charges to Collection Fund			
140	400	540	Increase / (Decrease) in Bad Debt Provision	(267)	253	(14)
18	0	18	Increase / (Decrease) in Provision for Appeals	(190)	0	(190)
82	0	82	Cost of Collection	81	0	81
30,226	66,057	96,283	Total Expenditure	8,938	67,914	76,852
20,519	(24)	20,495	(Surplus) / Deficit arising during the year	(9,610)	(496)	(10,106)
(3,983)	(32)	(4,015)	(Surplus) / Deficit b/fwd 1 April	16,536	(55)	16,481
16,536	(55)	16,481	(Surplus) / Deficit c/fwd 31 March	6,925	(551)	6,375
			Apportionment to Preceptors/EEBC			
8,268	0	8,268	Central Government	3,463	0	3,463
6,614	(5)	6,609	Epsom & Ewell Borough Council	2,770	(56)	2,714
1,654	(42)	1,612	Surrey County Council	693	(418)	274
0	(8)	(8)	Surrey Police Authority	0	(77)	(77)
16,536	(55)	16,481		6,925	(551)	6,375

Notes to the Collection Fund Income and Expenditure Account

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	93.52	6/9 th	62.35
	B	759.70	7/9 th	590.88
	C	4,166.79	8/9 th	3,703.81
	D	7,777.66	9/9 th	7,777.66
	E	6,973.39	11/9 th	8,523.03
	F	4,379.88	13/9 th	6,326.49
	G	3,866.76	15/9 th	6,444.53
	H	129.95	18/9 th	259.9
Aggregate of Relevant Amounts				33,688.65
Estimated Collection Rate				98.40%
Council Tax Base				33,149.63

The Council achieved a council tax collection rate of 98.5% in 2021/22 (98.0% in 2020/21).

Non-Domestic Rates Statistics

2020/21 £'000		2021/22 £'000
64,319	Total Non-Domestic Rateable Value at year end	64,127
51.2	National Non-Domestic Rate Multiplier (Standard)	51.2

The Council achieved a business rates collection rate of 98.7% in 2021/22 (97.0% in 2020/21).

Precepting Bodies

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

2020/21 £'000		2021/22 £'000
49,908	Surrey County Council	51,351
8,934	Surrey Police	9,467
6,713	Epsom and Ewell Borough Council	6,904
65,555	Total Precepts on Collection Fund	67,722

Distribution of Council Tax Surplus/(Deficit)

2020/21 £000		2021/22 £000
77	Surrey County Council	(46)
14	Surrey Police Authority	(8)
11	Epsom & Ewell Borough Council	(6)
102	Balance at Year End	(60)

Council Tax Provision for Bad Debts

2020/21 £000		2021/22 £000
560	Opening Balance	935
375	Increase/(Decrease) in Bad Debt Provision	228
935	Balance at Year End	1,163

Group Accounts

In September 2017, the Council established a 100%-owned subsidiary company, Epsom & Ewell Property Investment Company Limited (EEPIC), principally to invest in high quality, out-of-Borough, commercial property. The company aims to achieve rental yields from commercial property, delivering a long term income stream to the Council. This income stream will assist the Council in becoming more financially self-sufficient (independent from government grants) and sustaining high-quality services to local residents and businesses.

EEPIC is based in the Council's Town Hall offices in Epsom. Its board of directors are also officers of the Council. Other than EEPIC, the Council has no other subsidiary.

The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity within the local authority's control.

The assets, liabilities, reserves and income and expenditure figures for EEPIC have been consolidated into group accounts on the following pages.

The Council is required to prepare the core statements to the group accounts together with the relevant notes where they are materially different to the reporting in its own accounts. The following statements have been prepared:

Group Comprehensive Income and Expenditure Statement
Group Movement in Reserves statement.
Group Balance Sheet
Group Cash Flow Statement

Disclosure Notes

Group Creditors
Group Debtors
Group Investment Properties
Group Related Parties

Audited accounts of Epsom & Ewell Property Investment Company Ltd will be filed with Companies House and available on request from:

Lee Duffy (Chief Finance Officer)
Epsom & Ewell Borough Council
Town Hall
The Parade
KT18 5BY

Accounting Policies

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the Council and its subsidiary on a line by line basis. The accounts of the subsidiary have been prepared in accordance with UK Accounting Standards, FRS 102 and applicable law, using similar accounting policies and practices to those of the Council. However some accounting policies and practices do

differ in some respects from the Council's due to legislative requirements. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

Group Comprehensive Income & Expenditure Statement

2020/21 Group CIES				2021/22 Group CIES		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			Committee			
10,232	(5,072)	5,160	Environment & Safe Communities	13,016	(7,166)	5,849
13,930	(3,337)	10,593	Community and Wellbeing	12,599	(4,404)	8,194
24,374	(21,401)	2,973	Strategy and Resources	23,954	(19,992)	3,961
48,536	(29,810)	18,726	Cost of Services	49,568	(31,563)	18,005
4,578	(5,017)	(439)	Financing and investment Income and Expenditure (Note 12)	3,569	(14,475)	(10,906)
0	(15,697)	(15,697)	Taxation and non-specific grant income and expenditure (Note 13)	0	(11,576)	(11,576)
53,114	(50,524)	2,590	(Surplus) or Deficit on Provision of Services	53,138	(57,615)	(4,477)
		(3,084)	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			4,782
		7,544	Remeasurement of net defined benefit liability/(asset) (Note 32)			(12,055)
		4,460	Other Comprehensive (Income) and Expenditure			(7,273)
		7,050	Total Comprehensive (Income) and Expenditure			(11,750)

Group Movement in Reserves Statement

Group Movement in Reserves Statement	EEBC Usable Reserves	EEBC Unusable Reserves	EEPIC Retained Earnings	EEPIC Revaluation Reserve	Total Group Reserves
2021/22	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2021	(41,003)	(55,428)	(466)	1,422	(95,474)
Movement in Reserves During 2021/22					
Total Comprehensive Income, Expenditure and Dividends	(3,045)	(7,273)	(427)	(1,005)	(11,750)
Adjustments between accounting basis and funding under regulations (Note 9)	4,798	(4,798)	0	0	0
Increase or Decrease in 2021/22	1,753	(12,072)	(427)	(1,005)	(11,750)
Balance at 31 March 2022 carried forward	(39,249)	(67,500)	(893)	417	(107,225)
2020/21					
Balance at 01 April 2020	(30,586)	(71,450)	(64)	(424)	(102,524)
Movement in Reserves During 2020/21					
Total Comprehensive Income, Expenditure and Dividends	1,146	4,460	(401)	1,846	7,050
Adjustments between accounting basis and funding under regulations (Note 9)	(11,563)	11,563	0	0	(0)
Increase or Decrease in 2020/21	(10,417)	16,022	(401)	1,846	7,050
Balance at 31 March 2021 carried forward	(41,003)	(55,428)	(466)	1,422	(95,474)

Group Balance Sheet

2020/21 Group £'000		2021/22 Group £'000
	Long-term Assets	
81,736	Property, Plant and Equipment	74,840
113,279	Investment Properties	118,495
722	Heritage Assets	722
611	Intangible Assets	584
0	Long Term Investments	0
336	Long Term Debtors	630
592	Surplus Assets	592
197,276	Total Long-term Assets	195,863
	Current Assets	
66	Inventories	78
6,855	Short-term Debtors	3,978
0	Short-term Investments	10,000
21,691	Cash and Cash Equivalents	35,881
28,612	Total Current Assets	49,937
	Current Liabilities	
(13,270)	Short-term Creditors	(31,307)
(409)	Lease Liability - Within One year	(410)
(13,679)	Total Current liabilities	(31,717)
	Long-term Liabilities	
(64,427)	Long Term Borrowing	(64,427)
(46,201)	Defined Benefit Pension Liability	(36,793)
(3,230)	Capital Grants Receipts in Advance	(3,203)
(620)	Long-term Provisions	(559)
(2,257)	Lease Liability - Over One year	(1,877)
(116,734)	Total Long-term Liabilities	(106,859)
95,474	NET ASSETS	107,225
	Total Reserves	
(41,468)	Usable Reserves	(40,141)
(54,006)	Unusable Reserves	(67,083)
(95,474)	TOTAL RESERVES	(107,225)

Group Cash Flow Statement

2020/21 Group £'000		2021/22 Group £'000
2,590	Net (Surplus) or Deficit on the Provision of Services	(4,477)
(8,706)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	(1,794)
4,394	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	3,608
(1,721)	Net cash flows from Operating Activities	(2,663)
(8,438)	Net cash outflow / (inflow) from Investing Activities	7,257
(47)	Net cash outflow / (inflow) from Financing Activities	(18,784)
(10,207)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period	(14,190)
11,484	Cash and Cash Equivalents at the Beginning of the Period	21,691
10,207	Net Increase/(decrease) in Cash and Cash Equivalents	14,190
21,691	Cash and Cash Equivalents at the End of the Reporting Period	35,881

Group Creditors - Current

2020/21 Group Creditors £'000		2021/22 Group Creditors £'000
(7,881)	Central Government Bodies	(25,216)
(244)	Other Local Authorities	(1,616)
(87)	Council Tax Payers	(91)
(66)	Non Domestic Ratepayers	(445)
(4,991)	Other Entities and individuals	(3,938)
(13,270)	Total	(31,307)

Group Debtors - Current

2020/21 Group Debtors £'000		2021/22 Group Debtors £'000
1,744	Central government bodies	106
1,001	Other Local Authorities	528
279	Council Tax Payers	379
150	Non Domestic Rate Payers	333
3,681	Other Entities and individuals	2,632
6,855	Total Debtors	3,978

Group Investment Properties

The following items of income and expenditure relating to investment properties have been accounted for in the Financing and Investment Income and Expenditure line in the Group CIES:

2020/21 Group £'000		2021/22 Group £'000
(6,850)	Rental Income from Investment Property	(9,181)
445	Other Net Expenditure Arising from Investment Property	551
(6,405)	Net (Income)/Expenditure	(8,630)

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

Fair Value Hierarchy

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

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

Investment Properties are measured in the year of purchase at cost including transaction costs, which is taken as the best estimate of fair value, unless there are indications to the contrary. In subsequent years, investment properties are revalued annually and held at fair value at the balance sheet date. Any increase or decrease in fair value is taken to profit or loss for the year.

The fair value measurement of investment property uses 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 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.

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

Valuation Process for Investment Properties

The Group's investment properties have been valued as at 31 March 2022 by Wilks, Head & Eve 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.

2020/21 Group £'000		2021/22 Group £'000
116,238	Balance at the Start of the Year	113,279
124	Purchases/Enhancements	0
0	Disposals	0
(3,083)	Net gains/(losses) from Fair Value Adjustments	5,216
113,279	Balance at the Year End	118,495

Group Related Parties

During 2021/22, the Council entered into the following related party transactions with EEPIC:

Transaction Description	2020/21 £'000	2021/22 £'000
<u>Amounts received by EEBBC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(118)	(123)
Dividend from EEPIC	(868)	(603)
Total	(2,795)	(2,535)

The Council holds long-term loans of £36.2m and equity investments of £24.1m in EEPIC, which are recognised and measured at cost in the Council's balance sheet. The loans are repayable at maturity in 2067. Interest is payable annually at a fixed 5% rate. If EEPIC breached financial covenants included in the loan agreements, the loan could become repayable to the Council before 2067.

EEPIC made a full-year profit before tax (excluding property revaluations) of £1.4m in 2021/22, paying a dividend of £0.6m to the Council. EEPIC's property valuations increased by £0.9m compared to 31 March 2021.

At 31 March 2022, four Council officers served as Directors of EEPIC – the Chief Executive, Head of Finance, Head of Property and Regeneration, and Head of Housing & Environmental Services. One Council officer – the Senior Accountant – served as Company Secretary.

Statement of Responsibilities

Council's Responsibilities

1. 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 Chief Finance Officer.
 - Manage its affairs in order to secure the economic, efficient and effective use of resources and to safeguard its assets;
 - Approve and publish the audited Statement of Accounts by 30 November 2022.

Chief Finance Officer's (S151) Responsibilities

2. The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made reasonable and prudent judgements and estimates;
- Complied with the Code of Practice.

The Chief Finance Officer 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 – 2021/22

1. Executive Summary

- 1.1. The Council is responsible for conducting its business in accordance with the law and proper standards. It is responsible for ensuring that money is safeguarded and properly accounted for and is used economically, efficiently, and effectively. The council must have proper arrangements in place for corporate governance and the effective exercise of their functions which included risk management.

2. Opinion

- 2.1. Our review of the effectiveness of corporate governance found that overall, the systems and processes that comprise the Council's governance arrangements are sound. The majority of elements are fully compliant and in line with the principles of delivering good governance as outlined in CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government" 2016. Three significant governance arrangements were found as outlined in section 4, significant issues identified. The Council is committed to having a governance structure that is compliant with all codes published by CIPFA and SOLACE as outlined in the principles in section 9.
- 2.2. Our internal auditors Southern Internal Audit Partnership (SIAP) have been externally assessed as compliant with the Public Sector Internal Audit Standards. In September 2020 the Institute of Internal Auditors were commissioned to complete an external assessment of the SIAP that concluded that they conformed to the relevant codes and standards.
- 2.3. The Head of Internal Audit's opinion on the Council's governance and systems of internal control for 2021-2022 stated:

Annual Internal Audit Opinion 2021-2022

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Epsom & Ewell Borough Council's internal control environment.

In my opinion, Epsom & Ewell Borough Council's framework of governance, risk management and control are 'Reasonable' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

- 2.4. The internal audit year-end report for 2021-2022 will be brought to the Audit & Scrutiny Committee in June 2022. The Head of Internal Audit has also

highlighted that several audits which have been rated as “limited” assurance. These highlight that the Council has significant issues to address over the next year to maintain and increase the robustness of the annual opinion. This will be addressed in 2022/23 and monitored through the implementation of agreed management actions

- 2.5. The latest opinion provided by External Audit, as reported in the External Auditors Annual Report in November 2021 stated that “we found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken”. The External Auditors also issued an unqualified opinion on the Council’s 2020/21 financial statements. The audit of the 2021/22 financial statements is expected to take place between July to September 2022.

3. Statement of the Chair of Strategy and Resources & Chief Executive

We have been advised of the result of the review of the effectiveness of the Council’s governance and internal control arrangements by senior officers, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Significant issues identified as a result of the effectiveness review are recorded below, including actions to address them. We are satisfied that these steps will address the need for planned improvement and that monitoring arrangements are in place.

From the findings of this report, we are satisfied that the appropriate governance arrangements are in place and the Council remains committed to maintaining and improving the arrangements in future.

Signed: 

.....

Neil Dallen, Chair of Strategy and Resources
Date: November 2022

Signed: 

.....

Jackie King, Interim Chief Executive
Date: 15/11/2022

4. Significant issues identified

- 4.1. The Council is satisfied that the appropriate governance arrangements are in place, however it remains committed to maintaining and where required improving those areas. Issues considered to be significant will be addressed in 2022-2023 and are listed below. Less significant areas for improvement are outlined in Section 9 under the relevant CIPFA good governance principle.

Issues identified	Action to be undertaken taken
There is uncertainty regarding local government funding which will impact on the current Medium Term Financial Strategy financial stability Existing strategies in relation to changes in risk relating to investment properties may need reviewed	A rebasing exercise of the budget for 2022/23 was undertaken in Spring 2022 to ensure budgets are re-aligned to post-Covid service demand levels. Production of a new budget for 2023/24 will factor in updated income and expenditure levels following Covid-19, with a strategy developed for removing reliance on reserves to balance future budgets. Star chamber exercises with Heads of Service to identify savings/additional income will be undertaken in 2022/23. A number of strategic asset reviews are being undertaken to assess if operational assets remain fit for purpose and continue to provide value for money.
The arrangements for Information Governance and data protection need to be reviewed to ensure they are fully compliant with legislation and ICO guidance	Complete the recruitment of a new Data Protection Officer who will bring together and progress our information governance improvements.
Strengthening and updating the Constitution	The Member Working Group has agreed a programme of work to update the Constitution supported by the Monitoring Officer and this will be reported to the Standards Committee

5. What is the Annual Governance Statement (AGS)?

- 5.1. The AGS provides assurance to residents and other stakeholders that the Council has in place good business practices, high standards of conduct, and sound governance arrangements. It provides processes and controls that are in place to manage the risks of failure in delivering planned outcomes.

- 5.2. The purpose of the AGS is to report publicly on the extent to which the Council's governance arrangements comply with the governance principles as stated in the CIPFA/SOLACE guidance "Delivering good governance in Local Government Framework". It also meets the requirements of the Accounts and Audit Regulations 2015 which require an authority to conduct a review at least once a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts.

6. What is the governance framework?

- 6.1. Governance can be defined as "comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."3 Governance includes processes, procedures, policies, administrative systems, legal arrangements and so forth, "through which [an organisation's] objectives are set and pursued in" their environmental context, while "ensuring that stakeholders can have confidence that their trust in that [organisation] is well founded." By the Chartered Governance Institute UK & Ireland
- 6.2. The Council's governance framework comprises the systems and processes, culture, and values that it directs and controls. We adopted a Code of Corporate Governance (the Code) which encapsulates all relevant areas of our governance arrangements.
- 6.3. The Code reflects the principles of, and is consistent with, the CIPFA/SOLACE Framework: "[Delivering Good Governance in Local Government](#)". The CIPFA framework requires that local authorities are responsible for ensuring that:
- Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently, and effectively to achieve priorities which benefit the local authority.
- 6.4. The Code is structured to outline all processes and controls as required by the seven principles of the CIPFA Framework. Implementation of the framework cannot eliminate all risks but is designed to mitigate risks to an acceptable level and provide assurance to senior management and Members that adequate governance arrangements are in place.
- 6.5. The Council is a committee authority where policies and decisions are determined and scrutinized by the relevant committees as determined by the terms of reference.

- 6.6. The Council has the following committees in place, Audit, Crime & Disorder and Scrutiny, Licensing and Planning Policy, Community & Wellbeing, Environment and Safe Communities, Strategy & Resources, Planning and Standards.
- 6.7. The Council's Regulatory and Advisory Committees/Panels include Licensing (Hearing and General) Panels, the Appointments Panel, Financial Policy Panel, Health Liaison Panel, Human Resources Panel, and the Shareholder Sub-Committee.
- 6.8. In addition, the joint committees and outside bodies include Epsom and Walton Downs Conservators, Epsom & Walton Downs Consultative Committee, and the Nonsuch Park Joint Management Committee.

7. How has the statement been prepared?

- 7.1. The Council conducts an annual review of the effectiveness of its governance. This review is a self-assessment using the principles.
- 7.2. The effectiveness review is informed by the work undertaken by senior managers and their Divisional Assurance Statements. In addition, the Internal Audit Annual Report and recommendations from external audit are taken into account and any further reviews and external inspections:
- All Heads of Service are required to complete a Divisional Assurance Statement.
 - The Statutory Officers were consulted on the review process and their roles and responsibilities and consulted on the outcome.
 - The Chief Executive and the Chair of Strategy and Resources sign the AGS.
 - Any frauds reported and complaints to the Ombudsman are reviewed.
 - The Head of Internal Audit's Opinion for 2021/22 is taken into account, and comments made by external audit and other external reviews.
 - Performance and performance indicators are reviewed.
 - Progress in implementing the action plan from 2020/21, as set out in section 10
 - The senior management team assists with good governance in delivering key services and making corporate decisions and monitors performance.
 - Key management roles are defined within the senior management team.
 - The Council's finances are driven through the Medium-Term Financial Strategy. The Council sets an annual budget which is regularly monitored and reviewed, and the Council's financial systems and processes are regularly audited.

8. Impact of Covid and significant events in 2021-2022

- 8.1. During 2021/22, the restrictions in place to respond to the Covid 19 pandemic have been lifted but there has continued to be an impact on the delivery of council services and new governance arrangements for financial payments. The financial impact of Covid continues to evolve and further revisions to budgets may be required.
- 8.2. Arrangements are in place to reduce risk of fraud in payment of additional grants to businesses and payments to households. The Council has registered to the National Investigation Service's (NATIS) anti-fraud service, which automatically checks payments leaving our bank account to flag any potential fraudulent business grant transactions and through the National Anti Fraud Network; the Network identifies and shares potential frauds from across the sector, including around Covid related business grants, for the Council to be aware of.
- 8.2. During 2020/21 a Local Government Boundary Commission review was undertaken of the Council's size and warding arrangements in the borough which will be implemented in 2022/23.
- 8.3. A new organisational structure was implemented in September 2021, and this included the creation of two director's posts and a senior management team and a corporate management team. The Council's Monitoring Officer who is responsible for the reporting on the lawfulness of the Council's activities was the Chief Legal Officer until 30th September and this role is now provided by an external solicitor who was appointed by Council as Monitoring Officer from 1st October 2021.

9. Corporate Governance Arrangements

- 9.1. This section outlines how the key systems and processes perform against the seven core principles in delivering good governance

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

- 9.2. This is demonstrated by:

The key documents that demonstrate compliance with this principle are.

- The Constitution, which sets out.
 - Codes of conduct for members and officers
 - Roles and functions of statutory officers, key posts, and members
 - Member/ Officer protocol
 - Scheme of Delegation
 - Whistleblowing procedures
 - Financial Regulations and Contract Standing Orders

- Complaints Policy

- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Money Laundering Policy
- Rules relating to Members external interests
- Rules relating to Gifts and Hospitality

9.3. Arrangements in place for good governance include

- Register of gifts and hospitality for Members and Officers
- The HR Team provide the people framework and the management of officers through performance management framework and disciplinary issues as they arise
- The Procurement Strategy and the CSO's were both updated in 2021/22.
- The Monitoring Officer brings to the attention anything that maybe unlawful or with high-risk challenge that hasn't already been covered within section of committee reports.
- An induction process in place for new staff and new members.
- Standards of conduct and behavior are maintained.
- Training and development of members and officers

9.4. Areas for improvements

- A Members Working Group was established to review the Constitution with an agreed work program including the new Model Councillor Code of Conduct 2020 to determine whether any changes are required prior to adoption.
- Updated training of performance management is being rolled out to all staff.

PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement

This is demonstrated by:

- Freedom of information publication schemes
- Statement of Community involvement
- Transparency Data
- Complaints Policy Complaints monitoring
- Minutes of Council meetings
- Decisions notices
- Council tax notices

9.5. Arrangements in place for good governance include

- All Council meetings are webcast and can be watched live.
- Petitions can be submitted in relation to matters of public concern and residents can submit questions to policy committees and the audit & Scrutiny Committee and attend meetings where questions are considered and answered
- Project management toolkit identifies stakeholders

9.6. Areas for improvements

- In the Annual Plan for 22/23, the Council has committed to updating the Citizens Panel, hold a series community conversation to improve engagements with residents.
- The Regulation 18 consultation of the Local Plan will be undertaken in 2022/23

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

9.7. This is demonstrated by:

- Future 40 Vision
- Four Year Plan
- Annual Plan and Service delivery plans
- Equity, Diversity & Inclusion
- Medium Term Financial Strategy
- Procurement Strategy
- Economic Development
- Climate Change Action Plan
- Homelessness and Rough Sleeping Strategy
-

9.8. Arrangements in place for good governance include

- Annual review of Council's performance against the annual plan and key performance indicators to deliver strategic outcomes.
- Medium Term Financial Strategy and regular budget monitoring
- Climate Change Action Plan is being regularly monitored and reports
- Review is ongoing looking at strategic assets.
- A new performance and risk framework is being rolled out to support the achievement of corporate priorities

9.9. Areas for improvements

- Risk Management Strategy is being drafted for approval in 2022 with the development of corporate, committee and divisional risk registers

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

9.10. This is demonstrated by:

- Annual budget and Council tax report
- Treasury Management Strategy
- Project Management arrangements.

- Annual Plan and service delivery plan
- Committee forward plan
- Arrangements for good governance and compliance with CIPFA Financial management code

9.11. Arrangements in place for good governance include

- Regular budget monitoring and financial planning
- New corporate planning cycle aligning the setting of annual targets with budgets
- Forward plan for committees
- The Chief Finance Officer is the S151 Officer and in accordance with statutory requirements is responsible for delivering and overseeing the financial management arrangements for the Council
- Implementation of all actions from LGA finance peer review

9.12. Areas for improvements

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

9.13. This is demonstrated by key documents.

- New organizational structure
- People Framework
- Organisational Development Strategy
- Role profiles
- Scheme of delegation

9.14. Arrangements in place for good governance include

- Regular meetings with committee chair and vice chairs
- Annual appraisal of the Chief Executive
- Member briefing programme and regular updates
- Employee induction programme
- Job descriptions and role profiles
- Training programme and eLearning for staff
- Employee Assistance Programme to support all employees
- Exploring business cases for greater collaboration amongst other Surrey authorities that are in the best interest of the Council
- Annual report on Health & safety

9.15. Areas for improvements

- Specific training on working remotely and managing people
- Updated e-learning on range of governance issues

PRINCIPLE F - Managing risks and performance through robust internal control and strong public financial management.

9.16. This demonstrated by key documents:

- Data Protection Policy and associated guidance
- Asset Registers and retention schedules
- Internal audit Charter and Internal Audit Plan
- Risk Management Strategy and annual report
- Asset Management Plan
- Updated Terms of reference for committees
- Financial Regulations and Contract Standing Orders
- Health & Safety policies and procedures
- Emergency planning and business continuity arrangements

9.17. Arrangements in place for good governance include

- Treasury Management annual report
- Governance arrangements in place for the Council's wholly owned subsidiary EEPIC
- Benchmarking against other Surrey districts
- Approval of committee reports through senior management team
- Updates on key corporate projects through senior management team
- Strategic risk register
- In response to the Covid 19 pandemic work on the budgets has been undertaken and there will be further work in 2022/23 on reducing the budget gap.

9.18. Areas for improvements

- A new performance and risk framework is being developed with new risk matrix and three lines of defense for risks, corporate, committee and divisional
- GDPR training is due to be held in 2022/23

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

9.19. This demonstrated by key documents:

- Annual Statement of Accounts
- Budget Monitoring Reports
- Performance Management reports
- Internal Audit Progress reports
- External Audit Annual Report on Epsom and Ewell Borough council and external auditors' opinion

9.20. Arrangements in place for good governance include

- The impact of the Covid 19 pandemic was reported
- Governance arrangements are in place for payment of household and business grants to reduce risks
- External Auditor reports are now reported to full council for greater transparency
- Compliance with accessibility regulations

9.21. Areas for improvements

- Implementation of recommendations from external audit

10. Issues from 2020-2021

- 10.1. The implementation of the actions identified in 2020/21 have been monitored and reported in detail to the Audit, and Scrutiny Committee as part of the arrangements for approving the AGS. The table below provides an update.

Issues identified in AGS for 2020/21	Action taken to date
<p>Funding shortfall caused by sustained losses to income and increased costs due to long-term impact of Covid-19 on Council services.</p> <p>Potential reduced funding from New Homes Bonus Grant and further losses in future years depending on outcome and timing of government reviews into Fair Funding and Business Rates.</p>	<p>There is a robust financial planning process in place which ties in with corporate objectives and service plans and workforce plans . There is ongoing work on the MTFS and identifying further savings .</p> <p>A number of Strategic Asset Reviews are in the process of being undertaken</p> <p>The budget for 2022/23 will be updated to factor income and expenditure levels following Covid-19.</p> <p>The action plan from the LGA Finance Peer Review has been implemented.</p>
<p>The full impact of the pandemic is unlikely to be clear until out of current national lockdown and all restrictions lifted</p> <p>Covid 19 Recovery Plan will need to assess both the medium- and longer-term impact on the economy and the community</p>	<p>The welcome back fund has been used to support the recovery and both the annual plan and service delivery plans for 2022/23 reflect the new demands created as a result of the pandemic and will support the recovery.</p> <p>The longer-term implications will be built into the MTFS</p>

The Organizational Development Strategy People Framework & HR Policies will need to be refreshed to reflect the changing environment and new ways of working.	The people framework has been reviewed and further ongoing work is within the HR Service Delivery Plan for 22/23.
The Council need to build upon the digital improvements and opportunities resulting from the pandemic	A new ICT Strategy is being developed with ICT road map in place to deliver it.
There are challenges in delivering effective data security management and this needs to be embedded at a senior level	Implementation of recommendations from the Information Governance and data management audits.

Independent auditor's report to the members of Epsom & Ewell Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Epsom and Ewell Borough Council (the 'Authority') and its subsidiary (the 'Group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2022 and of the Group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the Group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and Group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Group and the Authority. In doing so we had regard to the guidance provided in

Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Group and Authority and the Group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, Narrative Reports, the Annual Governance Statement other than the Authority and Group financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the Group will no longer be provided.

The Audit and Scrutiny Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material

misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Scrutiny Committee, concerning the Group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and Group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the Group and Authority's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority and Group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and Group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The Authority and Group's control environment, including the policies and procedures implemented by the Authority and Group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Epsom and Ewell Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Paul Cuttle

John Paul Cuttle, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

3 March 2023

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.
Agency Arrangement	Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.
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 £10k.

Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.
Collection Fund	A fund administered by the Council as a 'billing authority'. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Surrey Police as required by statute.
Collection Fund Adjustment Account	An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council's element of the Collection Fund balance at year-end.
Contingent Liabilities	Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is inappropriate. Such items are disclosed in the form of a note to the accounts.
Council Tax	The main source of local taxation to local authorities. This is levied on households within its area by the billing authority and the proceeds paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
Creditors	Amounts owed by the Council at the end of the accounting period.
Current Assets/Liabilities	These are assets or liabilities that are expected to fall due or be realised within one year of the reporting date.
Debtors	Amounts owed to the Council at the end of the accounting period.
Depreciation	The measure of the cost of the benefit of the non-current asset that has been consumed during the period.
Earmarked Reserves	Balances set aside to meet specific future, usually non-recurring, commitments.
Fees and Charges	Income receivable as payment for goods or services provided.
Intangible Assets	Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period.
Minimum Revenue Provision	The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in

	additional to the minimum requirement, known as a voluntary provision for debt redemption.
(National) Non-Domestic Rate(s) (NNDR)	A levy on businesses based on the rateable value of the premises they occupy. It is also known as “business rates”, the “uniform business rate” and the “national non-domestic rate”. Since the localisation of Business Rates was introduced, NNDR is collected by billing authorities and distributed to central government, county and fire authorities on the basis of a pre-set formula which includes retaining a proportion of rate income for the billing authority.
Non-Current Assets/Liabilities	These are assets or liabilities that are expected to fall due or be realised more than one year after the reporting date.
Post Balance Sheet Events	Significant events which occur after the end of the accounting period but prior to the date when the accounts are issued.
Precept	The precepting authorities’ council tax. This is collected by billing authorities on behalf of the precepting authorities.
Precepting Authorities	Those authorities which are not billing authorities, i.e. do not collect the council tax and non-domestic rate. The Council bills and collects on behalf of the Surrey County Council and Police Authority. In addition, billing authorities pay a proportion of rate income to precepting authorities (see NNDR above).
Provisions	Amounts set aside to meet probable "one-off" future liabilities or losses but where exact dates and amounts are uncertain.
Public Works Loans Board Revenue Expenditure	A government body that provides loans to local authorities. This is the routine day to day cost of providing the Council services. Under the <u>Local Government and Housing Act 1989</u> , all expenditure is regarded as revenue unless it is specifically classified as capital.
Revenue Expenditure funded from Capital Resources Under Statute	Expenditure that can be classified as capital expenditure but which does not result in the acquisition of an asset.
Revenue Support Grant	A grant paid by central government as part of "formula grant" to support local authority services in general, as opposed to specific grants which may only be used for a prescribed purpose.