

Public Document Pack

Legal and Democratic Services



To: All Members of the Strategy and Resources Committee

Dear Councillor,

**STRATEGY AND RESOURCES COMMITTEE - TUESDAY, 21ST SEPTEMBER, 2021 ,
Council Chamber - Epsom Town Hall,
<https://attendee.gotowebinar.com/register/3286929955774453775>**

Please find attached the following document(s) for the meeting of the Strategy and Resources Committee to be held on Tuesday, 21st September, 2021.

4. **2020-21 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS** (Pages 3 - 170)

This report presents the 2020/21 Statement of Accounts and Grant Thornton's Audit Findings report following the external audit.

For further information, please contact Democratic Services, email: democraticservices@epsom-ewell.gov.uk or tel: 01372 732000

Yours sincerely

A handwritten signature in black ink, appearing to read "K. Beldan".

Chief Executive

This page is intentionally left blank

2020-21 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A (<i>Statutory requirement to certify audited Statement of Accounts by 30 September 2021</i>)
Appendices (attached):	Appendix 1: Audit Findings Report Appendix 2: 2020/21 Statement of Accounts (includes Annual Governance Statement) Appendix 3: Letter of Representation Appendix 4: Management responses to Grant Thornton's enquiries. Appendix 5: Auditor's Letter on Value for Money and Annual Report

Summary

This report presents the 2020/21 Statement of Accounts and Grant Thornton's Audit Findings report following the external audit.

Recommendation (s)

The Committee is asked to:

- (1) Approve the Statement of Accounts for the year ended 31 March 2021;
- (2) Agree the Annual Governance Statement included within the Statement of Accounts;
- (3) Receive the Audit Findings for 2020/21;
- (4) Agree the management action in response to the audit recommendations detailed at Appendix A of the Audit Findings report;
- (5) Agree that the Chair or Vice Chair of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;
- (6) Consider and approve the management responses to Grant Thornton's enquiries, as set out in Appendix 4.

- (7) **Delegate any further amendments to the 2020/21 Statement of Accounts to the Chief Finance Officer in consultation with the Chair or Vice Chair of Strategy and Resources Committee.**

1 Reason for Recommendation

- 1.1 Approving the recommendations will enable the Council to meet its statutory requirements under the Accounts and Audit Regulations (England), regarding the preparation of its year-end accounts for 2020/21.

2 Background

- 2.1 The Accounts and Audit (Amendment) Regulations 2021 require Councils this year to publish unaudited Statement of Accounts by 31 July and the audited Statement of Accounts by 30 September.
- 2.2 The Council met the first requirement by publishing its unaudited accounts on 6 July and will meet the second requirement assuming approval of the audited Statement of Accounts at this meeting.
- 2.3 The Statement of Accounts incorporate disclosures that show the combined financial position of the Council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.
- 2.4 Grant Thornton, the Council's external auditor, has issued their Audit Findings following completion of the audit of the Statement of Accounts. The report is attached at Appendix 1.
- 2.5 As part of the audit, Grant Thornton performed sufficient work to gain assurance that the group accounts are materially accurate.
- 2.6 The Audit Findings report will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 2.7 The audited Statement of Accounts are included as Appendix 2 to this report. **The accounts are complex and so Members are asked to raise any detailed queries with the Chief Finance Officer prior to the meeting.**
- 2.8 The Annual Governance Statement (AGS) was approved at the Audit, Crime and Disorder, and Scrutiny Committee on 15 June 2021.
- 2.9 The Council is required to provide Grant Thornton with a Letter of Representation, attached at Appendix 3. The Letter of Representation provides the auditor with assurance that the Council has fulfilled its responsibilities relating to the audit and financial statements.

- 2.10 Grant Thornton undertakes the external audit in accordance with International Standards on Auditing (ISAs). Under updated ISA 240 guidance, Grant Thornton submitted a number of audit queries to management, to inform its risk assessment for the audit.
- 2.11 The ISA emphasises the importance of two-way communication between auditors and audit committees. As such, Grant Thornton has requested that Strategy and Resources Committee consider whether the management responses to the audit queries, at Appendix 4, are consistent with members' understanding and whether there are any further comments the committee wishes to make.
- 2.12 The Council's financial performance for 2020/21 was reported to this committee on 27 July 2021.

3 Outcome of Audit

- 3.1 The following specific points are made in the report:-
- 3.2 The Auditors anticipate an unqualified opinion on the Council's Statement of Accounts.
- 3.3 The audit has not identified any material adjustments to the unaudited accounts that are required to be reported to Strategy & Resources Committee. Any adjustments have been agreed and implemented and did not affect the Council's reported outturn position or usable reserves.
- 3.4 The audit has identified three immaterial differences, totalling £104k, relating to the valuation of the Council's property assets, as set-out in Appendix A of the Audit Findings Report. The Council's property assets are valued at £136m; in this context, a valuation difference of £0.1m is immaterial, therefore it has not been adjusted in the accounts. Strategy & Resources Committee are required to approve this proposed treatment.
- 3.5 In line with new auditing requirements and as explained in the Audit Letter at Appendix 5, a separate Value for Money opinion will be presented to a subsequent meeting of this Committee, expected to be in November. Grant Thornton expect to issue the Value for money opinion alongside its Annual Report as per the National Audit Office's updated guidelines, which require an Auditor's Annual Report to be issued within three months of the opinion on the financial statements.
- 3.6 As set-out on page 3 of the Audit Findings report (Appendix 1), the anticipated unqualified opinion is subject to the auditors concluding their evaluation work and receiving assurance from the Surrey Pension Fund auditors, which is expected in mid-September.
- 3.7 Appendix A of the Audit Findings report includes the recommendations where management action has been agreed with the auditors.

4 Risk Assessment

Legal or other duties

4.1 Impact Assessment

- 4.1.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 September 2021, under the Accounts and Audit (Amendment) Regulations 2021.

4.2 Crime & Disorder

- 4.2.1 None.

4.3 Safeguarding

- 4.3.1 None.

4.4 Dependencies

- 4.4.1 None.

4.5 Other

- 4.5.1 None.

5 Financial Implications

- 5.1 The external audit fee for the 2020/21 is expected to be £59,675 (the fee subject to approval of Public Sector Audit Appointments Ltd), as set-out in the Audit Findings Report, Appendix B. For comparison the 2019/20 audit fee was £51,175 and the 2018/19 fee was £40,675.

- 5.2 The Council's budget historically includes £36,750 for the main audit fee. However, audit fees have increased across the local government sector since 2018/19, principally due to additional audit requirements introduced by the Financial Reporting Council and National Audit Office.

- 5.3 To fund increased audit fees, MHCLG has committed additional funding of £15m for the local government sector, however, EEBC has not yet been informed of its individual allocation. It is anticipated that this funding will be used to bridge the gap between the Council's budget and the actual audit fee.

- 5.4 The Committee received a separate report on 27 July 2021 setting out the provisional General Fund position for 2020/21 and the financial reserves at 31 March 2021. The Committee also received details of expenditure on the capital programme on 27 July 2021.

- 5.5 **Section 151 Officer's comments:** The Statement of Accounts are extensive and detailed so please raise any queries regarding Appendix 2 with the Chief Finance Officer prior to the Committee meeting.

6 Legal Implications

- 6.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.
- 6.2 The Accounts and Audit (Amendment) Regulations 2021 require that the audited Statement of Accounts and Annual Governance Statement be approved by a member committee and published on the Council's website by 30 September 2021.
- 6.3 **Monitoring Officer's comments:** None arising from the contents of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** None.
- 7.4 **Sustainability Policy & Community Safety Implications:** None.
- 7.5 **Partnerships:** None.

8 Background papers

- 8.1 The documents referred to in compiling this report are as follows:

Previous reports:

- 2020-21 Provisional Financial Outturn reported to Strategy & Resources Committee on 27 July 2021.
- 2020-21 External Audit Plan, reported to Strategy & Resources Committee on 30 March 2021.

Other papers:

- None.

This page is intentionally left blank

The Audit Findings for Epsom and Ewell Borough Council

Year ended 31 March 2021

DRAFT September 2021

Page 9



Contents

Page 10



Your key Grant Thornton team members are:

Paul Cuttle

Engagement Lead
E: Paul.Cuttle@uk.gt.com

Emily McKeown

Audit Manager
E: Emily.McKeown@uk.gt.com

Tafadzwa Nembaware

Audit Assistant Manager
E: Tafadzwa.Nembaware@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money arrangements	15
4. Independence and ethics	16
Appendices	
A. Audit adjustments	18
B. Fees	19

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and its member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents and do not obligate, one another and are not liable for one another's acts or omissions.

Agenda Item 4
Appendix 1

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Epsom and Ewell Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on remotely during the period July - September. Our findings are summarised on pages 5 to 15. Audit adjustments are detailed in Appendix A. **Our work is substantially complete and to date, and subject to the satisfactory resolution of the matters detailed below, we anticipate an unqualified audit report including an Emphasis of Matter paragraph in relation to the valuer's material uncertainty disclosure. This does not constitute a qualification of the audit opinion.**

Outstanding matters;

Work in progress

- Evaluation & Conclusion – we are reviewing information we have received from the Council and completing our evaluation & conclusion stages of the audit

Awaiting evidence

- Pension Liability – we are awaiting receipt of assurance from the Surrey Pension Fund auditors. As per our inquiries, we expect to receive feedback mid-September

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our currently anticipated audit report opinion will be unmodified, however this is based on findings to date only.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is presented alongside this report. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Currently we have no findings which indicate a significant weakness is present.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion

Significant Matters

We are also required to report any significant difficulties or matters that may have arisen during the audit

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with [management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have included the following as significant risks and communicated this to you at the Strategy and Resources Committee meeting;

- Valuation of land and buildings
- Valuation of net pension fund liability
- Management override of controls
- Fraud in expenditure recognition

Conclusion

We have substantially completed our audit of your financial statements. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion report including an Emphasis of Matter paragraph in relation to the valuer's material uncertainty disclosure. An emphasis of matter paragraph is not a qualification. These outstanding items include:

- Completion of our final senior level review and resolution to any queries raised;
- Completion of our sample testing areas;
- Receipt of a letter of representation from the Chair of the Strategy and Resources Committee
- Receipt from the auditors of Surrey County Council Pension Fund assurances over controls surrounding the validity and accuracy of membership data; contributions data and benefits data;
- Review of the final copy of the financial statements including Annual Governance Statement; and
- Confirming post balance sheet events at the date of signing.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	900,000	800,000
Performance materiality	675,000	600,000
Trivial matters	45,000	40,000



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	<p>We have:</p> <ul style="list-style-type: none"> documented and evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work to date has not identified any other issues in respect of this risk.</p>
The revenue cycle includes fraudulent transactions (rebutted)	<p>Having considered the risk factors set out in ISA240 and the nature of your revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, mean that all forms of fraud are seen as unacceptable <p>There have been no changes to our assessment reported in the audit plan. Therefore we do not consider this to be a significant risk to Epsom and Ewell Council and the Group</p>
Fraud in expenditure recognition	<p>We have:</p> <ul style="list-style-type: none"> inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. <p>Our audit work to date has not identified any other issues in respect of this risk.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings	<p>We have</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the valuer's report and the assumptions that underpin the valuation tested a sample of revaluations made during the year to ensure that they have been input correctly into your asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end <p>Subject to the successful completion of an outstanding test, our work has not identified material issues in respect of valuation of land and building. We're also identified immaterial audit differences relating to timing of the valuation of assets in Appendix 1.</p> <p>Valuation of retail and specific trading related assets worth £21.9m is reported as being subject to 'material valuation uncertainty' by the expert valuer. In our audit report, we will include an Emphasis of Matter paragraph in relation to the valuer's material uncertainty disclosure.</p>
Valuation of net pension fund liability	<p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; assessed the accuracy and completeness of the information provided to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; obtained assurances from the auditor of Surrey County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Our audit work is ongoing and awaiting the resolution of residual queries. We were awaiting receipt from the auditors of Surrey County Council Pension Fund assurances over the controls surrounding the validity and accuracy of membership data; contributions data and benefits data.</p> <p>Subject to the conclusion of our remaining audit work in this area, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £70.2m	<p>Other land and buildings comprises £33.4million of specialised assets such as the leisure centre and theatre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£36.8m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 March 2021 on a cyclical basis. 50.7% of total assets were revalued during 2020/21.</p> <p>The Council's investment property has a value of £54.6 million as 31 March 2021. All investment properties have been valued at fair value.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase of £1.8million. Management has considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2020, considering industry average indices and rental income to determine whether there has been a material change in the total value of these properties. As the differences are immaterial the Council has not adjusted the values as at 31 March 2021.</p> <p>Management's assessment of assets not revalued has identified no material change to the property's value.</p> <p>After applying indices, depreciation and impairment, the total year end net carrying value of Other land and buildings was £70.2 million, a net increase of £0.8 million from 2019/20 (£69.4 million).</p>	<p>The Council has engaged valuers (Wilks Head and Eve) this year for the valuation of land and buildings and investment properties. We have considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> - assessment of management's expert, - completeness and accuracy of the underlying information used to determine the estimate - impact of any changes to valuation method - consistency of estimate against Gerard Eve report - reasonableness of decrease in estimate - adequacy of disclosure of estimate in the financial statements - obtaining supporting evidence to confirm that assets classified as investment properties are being held solely for rental income or capital appreciation or both <p>According to the valuation report, in respect of Retail and specific trading related assets/sectors (with a total value of £21.9m) such as Car Parks, as at the valuation date, the market continued to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base valuation judgements. Valuation of these assets was therefore reported as being subject to 'material valuation uncertainty'. In our audit report, we will include an Emphasis of Matter paragraph in relation to the valuer's material uncertainty disclosure.</p> <p>We have also identified audit differences relating to assets not revalued and the change in valuations between the 31 December 2020 valuation date and 31 March 2021 balance sheet date. These are documented in Appendix 1 but are immaterial.</p>	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																					
Net pension liability – £46.2m	<p>The Council's total net pension liability at 31 March 2021 is £46.2 million (PY £37.4m), as part of the Surrey County Council Pension Fund. The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £7.5 million net actuarial loss during 2020/21.</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> Assessment of management's expert Assessment of actuary's roll forward approach taken, based on the full valuation as at 31 March 2020 to confirm reasonableness of approach Use of PwC as auditor's expert to assess actuary and assumptions made by actuary – the table below compares your Actuary's assumptions 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>																					
		<table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>2.00%</td><td>1.95% - 2.05%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.85%</td><td>2.80% - 2.85%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.75%</td><td>2.80% - 3.80%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.3</td><td>21.2 – 23.2</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>24.7</td><td>24.7 – 26.1</td><td>●</td></tr> </tbody> </table> <ul style="list-style-type: none"> Completeness and accuracy of the underlying information used to determine the estimate Impact of any changes to valuation method Reasonableness of the Council's share of LPS pension assets. Reasonableness of increase/decrease in estimate Adequacy of disclosure of estimate in the financial statements 		Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.00%	1.95% - 2.05%	●	Pension increase rate	2.85%	2.80% - 2.85%	●	Salary growth	3.75%	2.80% - 3.80%	●	Life expectancy – Males currently aged 45 / 65	22.3	21.2 – 23.2	●	Life expectancy – Females currently aged 45 / 65
Assumption	Actuary Value	PwC range	Assessment																					
Discount rate	2.00%	1.95% - 2.05%	●																					
Pension increase rate	2.85%	2.80% - 2.85%	●																					
Salary growth	3.75%	2.80% - 3.80%	●																					
Life expectancy – Males currently aged 45 / 65	22.3	21.2 – 23.2	●																					
Life expectancy – Females currently aged 45 / 65	24.7	24.7 – 26.1	●																					

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1,4m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £1,359k, a net increase of £110k from 2019/20.</p>	<p>We have</p> <ul style="list-style-type: none"> Assessed whether the calculation of MRP was in line with the statutory guidance. Assessed reasonableness of the increase in MRP charge 	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council.
Confirmation requests from third parties	We obtained direct confirmations from the PWLB loans and requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted, and the requests sent. We have received direct confirmations requested other confirmation of investments from fund managers.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.

2. Financial Statements - other communication requirements

Issue	Commentary
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported no significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This is not required as the Council does not exceed the threshold.</p>

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council’s financial reporting framework the Council’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

3. VFM - our procedures and conclusions

We have not yet completed our VFM work and so are not in a position to issue our Auditor’s Annual Report. We expect to issue our Auditor’s Annual Report within three months of the date of signing of the financial statements. This is in line with the deadline specified in the Auditor Guidance issued by the National Audit Office.

As part of our work we will consider whether there are any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses from our initial planning work as reported in our March 2021 Audit Plan.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	16,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit of £59,675 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Audit Adjustments

Impact of adjusted misstatements

We have not identified any adjusted misstatements which we are required to report to Those Charged With Governance as of date.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Strategy & Resources Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	CIES £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Other land and buildings valuation up until 31 March 2021 The Council's other land and buildings were valued as 31 December 2020. The Council consulted with its external valuer on whether there were movements in valuations between this date and the balance sheet date (31 March 2021). The valuer's assessment was that any movements would be immaterial to the Council. We have reviewed the indices for each type of Council asset and have calculated that were these to be applied the Council's other land and buildings would increase in value by £70k.	43	43	-	There is no impact on the CIEs as any gain recognised on revaluations are credited to the Revaluation Reserve. The Council has not adjusted for this difference as it is immaterial.
Investment Property valuation up until 31 March 2021 As above, the Council have not adjusted for movements indices between the valuation date of 31 December 2020 and the balance sheet date (31 March 2021) for its Investment Property or the Investment Property held by its subsidiary, EEPIC. We have reviewed the indices for each type of Investment Property and have calculated that were these to be applied the Council's other land and buildings would increase in value by £164k.	164	164	-	There is no impact on the CIEs as gains recognised on revaluations are credited to the Revaluation Reserve. The Council has not adjusted for this difference as it is immaterial.
Other land and buildings not revalued during the year In accordance with its accounting policies the Council undertakes a rolling programme of revaluations of other land and buildings. The Council has assets worth £8,364k not revalued as at the 31 March 2021. Were the Council to apply publicly indices to the value of these assets they would decrease by £311k.	(311)	(311)		There is no impact on the CIEs as the losses on revaluations are debited to the Revaluation Reserve or Capital Adjustment Account. The Council has not adjusted for this difference as it is immaterial and the approach used to value these assets is consistent with its accounting policy and the Code.
Overall impact	(104)	(104)		

B. Fees

We confirm below our fees charged for the audit:

Audit fees	2019/20 fee	2020/21
Council Audit (excluding VAT)	£51,175	£59,675

We understand the Council will receive a grant to support additional fees for 2020/21 relating to new accounting standards and the change to the VFM audit. This amount has not yet been confirmed and as such the final fee has not been agreed with management or approved by the PSAA.

In addition, we note in August 2021 the PSAA has approved the distribution of surplus funds relating to 2020/21 to opted-in bodies. The Council’s share of the surplus is £6,790.

Non-audit services undertaken for the Council are set out in the Independence and ethics section on page 16.



Grant Thornton



Statement of Accounts

2020/21

CONTENTS	Page
Certificate from the Chief Finance Officer	3
Narrative Report	4
<u>Core Statements</u>	
Comprehensive Income and Expenditure Statement (CIES)	9
Movement in Reserves Statement (MIRS)	10
Balance Sheet	11
Cash Flow Statement	12
<u>Disclosure Notes</u>	
Note 1 Accounting Policies	13
Note 2 Accounting Standards issued but not yet adopted	26
Note 3 Critical Judgements in Applying Accounting Policies	26
Note 4 Assumptions Made about the Future and other Major Sources of Estimation Uncertainty	26
Note 5 Material Items of Income and Expenditure	29
Note 6 Events After the Balance Sheet Date	33
Note 7 Expenditure and Funding Analysis	33
Note 8 Expenditure and Income analysed by Nature	36
Note 9 Adjustments between accounting basis and funding under Regulations	37
Note 10 Movements in Usable Reserves	40
Note 11 Other Operating Expenditure in CIES	40
Note 12 Financing and Investment Income and Expenditure in CIES	41
Note 13 Taxation and Non-Specific Grant Incomes in CIES	41
Note 14 Other Government Grants Credited to Services	42
Note 15 Property, Plant and Equipment	43
Note 16 Investment Properties	48
Note 17 Intangible Assets	49
Note 18 Financial Instruments	50
Note 19 Debtors	56
Note 20 Cash and Cash Equivalents	56
Note 21 Creditors	57
Note 22 Provisions	57
Note 23 Reserves	58
Note 24 Adj to (Surplus) or Deficit on the provision of services for non-cash movements	61
Note 25 Cash flow from Investing Activities	62
Note 26 Cash flow from Financing Activities	62
Note 27 Members' Allowances	63
Note 28 Executive Remuneration Bands and Exit Packages	63
Note 29 Audit costs	65
Note 30 Capital Financing Requirements	65
Note 31 Finance and Operating Leases	66
Note 32 Pension costs	68
Note 33 Contingent Assets and Liabilities	72
Note 34 Related Parties	73
Note 35 Collection Fund	74
Group Accounts	77
Statement of Responsibilities	85
Annual Governance Statement	86
Independent Auditor's Report	101
Glossary	107

Certificate of the Chief Finance Officer

I certify that the audited Statement of Accounts, set out on the following pages 4 to 86, presents a true and fair view of the financial position of the Council at 31 March 2021 and of its income and expenditure for the year ended 31 March 2021.

Lee Duffy (CPFA)

Chief Finance Officer (S151 Officer)

21 September 2021

Councillor Colin Keane

Chair of Strategy and Resources Committee

21 September 2021

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2020/21, 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. The Council's full range of services are 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, Crime and Scrutiny Committee and are publicly available through the Council website.

2. Impact of Covid-19

During 2020/21, Covid-19 had a major impact on services. The Council's response has included establishing a Community Hub to help vulnerable residents with food, prescriptions and other needs, putting in place measures to make town centres and public spaces Covid-secure, and helping to sustain the local economy with £16.4m government-funded grants paid to local businesses.

The Council incurred increased expenditure during the year, principally on managing homelessness, personal protective equipment and cleaning costs, as well as suffering major reductions to income streams from services such as car parks, the Council's venues, and a reduction in commercial property income.

Central Government has provided the Council with additional grant support of £5.6m to mitigate the financial pressures brought by Covid-19. Combined with action by officers to reduce non-essential expenditure (including a corporate recruitment freeze for non-urgent vacant posts), this support has enabled the Council to maintain its financial health throughout the year. Further information on the material impacts of Covid-19 are provided in disclosure note 5 of the accounts.

The Council is likely to face ongoing budget pressures throughout 2021/22, 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 June 2021:

2019/20	Committee	2020/21		
Outturn £'000		Budget £'000	Outturn £'000	Variance £'000
(424)	Strategy and Resources	2,916	(494)	(3,410)
2,878	Environment & Safe Communities	2,320	4,925	2,605
6,591	Community & Wellbeing	6,754	7,602	848
9,045	SUB-TOTAL	11,990	12,033	43
(2,669)	Capital Charges	(2,247)	(2,247)	0
(6,387)	External Funding	(9,743)	(9,743)	0
(11)	TOTAL (met by contribution (to)/from General Fund reserve)	0	43	43

The Council recorded a £43k adverse variance on its revenue account for 2020/21, which was within 1% of the agreed budget. The £43k variance has been funded by a contribution from the General Fund balance at year-end.

In the context of Covid-19 and its impact on revenues and cost pressures, the Council has performed well to achieve an outturn close to the overall budget. This achievement was assisted by £5.6m of government grants during the year, which are disclosed in Note 5 to the Statement of Accounts.

The Council achieved a collection rate of 98% for council tax and 97% 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 £3.383m at 31 March 2021 (£3.426m prior year). In-year net additions to strategic earmarked reserves totalled £10.2m. The additions to reserves were facilitated by MHCLG business rates grants, which will be required to fund a £6.6m deficit on the collection fund by 2022/23. Usable reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

Usable Reserves	2020/21 Opening Balance £'000	2020/21 Movement £'000	2020/21 Closing Balance £'000
General Fund Balance	(3,426)	43	(3,383)
Strategic Earmarked Reserves	(14,948)	(10,203)	(25,152)
Sub-Total Revenue Reserves	(18,374)	(10,160)	(28,535)
Community Infrastructure Levy	(7,677)	(742)	(8,419)
Capital Receipts Reserve	(4,535)	485	(4,050)
Total Usable Reserves	(30,586)	(10,417)	(41,003)

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 £2.791m in 2020/21 (£2.307m in 2019/20). A summary of expenditure by Committee is shown below:

2019/20 Outturn £'000	Core Capital Programme Expenditure	2020/21		
		Current Budget £'000	Outturn £'000	Variance £'000
290	Strategy & Resources Committee	895	349	(546)
383	Environment & Safe Communities	2,947	1,531	(1,416)
1,634	Community & Wellbeing Committee	1,440	911	(529)
2,307	Total	5,282	2,791	(2,491)

In addition to the core capital programme, £54k was spent on the CIL 15% Neighbourhood Scheme and £228k paid from capital resources to fund the Horton Chapel project.

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

2019/20 £'000		2020/21 £'000
	<u>Expenditure</u>	
2,307	Core Programme	2,791
6,097	Property Acquisition Funds	0
157	CIL Neighbourhood Scheme	54
0	Horton Chapel	228
8,561	Total Expenditure	3,073
	<u>Funding</u>	
664	Capital Reserves	485
838	Government Grants	734
123	Revenue	200
16	Section 106 Receipts	0
843	Community Infrastructure Levy Receipts	1,654
0	Long Term Borrowing	0
6,077	Internal Borrowing	0
8,561	Total Capital Funding	3,073

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 £485,000 were applied to fund in-year capital expenditure. The balance of the Council's usable capital reserves at 31 March 2021 is £4,050,000 (compared to £4,535,000 at 31 March 2020), of which £922,000 is

committed to funding capital projects rolled forward into 2021/22, £351,000 for Horton Chapel and £189,000 for funding the Residential Property Programme.

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 increased from £37.4m to £46.2m at 31 March 2021, an adverse movement of £8.8m. The Council's actuary estimated that at 31 March 2021, future liabilities amount to £127m (£101m at 31 March 2020) with assets of £81m (£64m at 31 March 2019).

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 reasons for the adverse movement in 2020/21 are an increase, from 1.90% to 2.85%, in the assumed rate of future annual pension increases, combined with a decrease from 2.3% to 2.0% in the assumed rate for discounting scheme liabilities, partly offset by asset returns.

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 2021, is available on the Council's website.

At 31 March 2021, 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 no short term investments at year end (£5m at 31 March 2020); instead funds were fully invested in money market funds, for maximum liquidity. During 2020/21, the Council generated £1.87m of interest income (£2.03m in 2019/20) and received £0.868m dividend income (£1.399m in 2019/20).

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 2021 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 2019/20).

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 £58.6m at 31 March 2021 (prior year £60.3m). The property portfolio remained unchanged during 2020/21, with the company delivering a net £429k benefit, after transfers to earmarked reserves, to the Council's

general fund in the year (net £864k benefit in 2019/20). The assets, liabilities, reserves, income and expenditure figures for the company have been consolidated into group accounts from page 78.

9. Future and Economic Outlook

Covid-19 is expected to have a lasting impact on the economy throughout 2021/22 and beyond.

Income from council tax, business rates and from fees and charges – such as car park income, Council venues, building control 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 the Covid-19 pandemic, 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 the Fair Funding Review, which has been deferred to 2022/23 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 will continue to monitor and review its future financial plans accordingly in the forthcoming period.

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

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 2021

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.

2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Committee	£'000	£'000	£'000
9,914	(7,287)	2,628	Environment & Safe Communities	10,232	(5,072)	5,160
12,335	(5,246)	7,088	Community and Wellbeing	13,930	(3,337)	10,593
23,708	(20,205)	3,503	Strategy and Resources	24,374	(21,401)	2,973
45,957	(32,738)	13,219	Cost of Services	48,536	(29,810)	18,726
34	(252)	(218)	Other Operating Expenditure (Note 11)	0	0	0
3,241	(6,666)	(3,425)	Financing and investment Income and Expenditure (Note 12)	4,279	(6,162)	(1,883)
0	(11,991)	(11,991)	Taxation and non-specific grant income and expenditure (Note 13)	0	(15,697)	(15,697)
49,232	(51,648)	(2,416)	(Surplus) or Deficit on Provision of Services	52,815	(51,669)	1,146
	(6,704)		(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(3,084)
	(4,629)		Remeasurement of net defined benefit liability/(asset) (Note 32)			7,544
	(11,333)		Other Comprehensive (Income) and Expenditure			4,460
	(13,750)		Total Comprehensive (Income) and Expenditure			5,606

Movement in Reserves Statement for the year ended 31 March 2021

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	
2020/21	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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)									
2019/20										
Balance at 01 April 2019	(18,646)	(4,947)	(5,390)	(28,982)	(39,224)	(60,006)	392	39,534	(59,305)	(88,287)
Movement in Reserves										
Total Comprehensive Income and Expenditure	(2,416)	0	0	(2,416)	(6,704)	0	0	(4,629)	(11,333)	(13,750)
Adjustments between accounting basis and funding under regulations (Note 9)	2,689	412	(2,288)	813	0	(1,733)	(1,529)	2,449	(813)	0
(Increase) or Decrease	273	412	(2,288)	(1,603)	(6,704)	(1,733)	(1,529)	(2,180)	(12,146)	(13,750)
Balance at 31 March 2020 carried forward	(18,374)	(4,535)	(7,677)	(30,586)	(45,929)	(61,739)	(1,136)	37,354	(71,450)	(102,036)
General Fund analysed over:										
Amounts earmarked (Note 10)	(14,948)									
Amounts uncommitted	(3,426)									
Total	(18,374)									

Balance Sheet as at 31 March 2021

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.

2019/20 £'000		Note	2020/21 £'000
	Long-term Assets		
81,730	Property, Plant and Equipment	15	81,736
55,776	Investment Properties	16	54,663
722	Heritage Assets		722
294	Intangible Assets	17	611
24,117	Long Term Investments	18	24,117
36,176	Long Term Debtors	19	36,512
592	Surplus Assets	15	592
199,406	Total Long-term Assets		198,952
	Current Assets		
63	Inventories		66
5,819	Short-term Debtors	19	6,011
5,000	Short-term Investments	18	0
10,236	Cash and Cash Equivalents	20	20,724
21,118	Total Current Assets		26,801
	Current Liabilities		
(10,582)	Short-term Creditors	21	(12,264)
(380)	Lease Liability - Within One year	31	(409)
(10,962)	Total Current liabilities		(12,673)
	Long-term Liabilities		
(64,427)	Long Term Borrowing	18	(64,427)
(37,354)	Defined Benefit Pension Liability	32	(46,201)
(2,652)	Capital Grants Receipts in Advance	14	(3,230)
(426)	Long-term Provisions	22	(536)
(2,666)	Deferred Liabilities	31	(2,257)
(107,526)	Total Long-term Liabilities		(116,650)
102,036	NET ASSETS		96,431
	Total Reserves		
(30,586)	Usable Reserves	23	(41,003)
(71,450)	Unusable Reserves	23	(55,428)
(102,036)	TOTAL RESERVES		(96,431)

These financial statements replace the unaudited financial statements certified by the Chief Finance Officer on 6 July 2021.

Cash Flow Statement as at 31 March 2021

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.

2019/20			2020/21
£'000		Note	£'000
(2,416)	Net (Surplus) or Deficit on the Provision of Services	CIES	1,146
(3,688)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	24	(7,543)
1,516	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	4,394
(4,589)	Net cash flows from Operating Activities		(2,002)
8,199	Net cash outflow / (inflow) from Investing Activities	25	(8,438)
(3,267)	Net cash outflow / (inflow) from Financing Activities	26	(47)
344	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		(10,488)
10,580	Cash and Cash Equivalents at the Beginning of the Period		10,236
(344)	Net Increase/(decrease) in Cash and Cash Equivalents		10,488
10,236	Cash and Cash Equivalents at the End of the Reporting Period	20	20,724

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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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.

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 (incl NNDR, Council Tax and Grants) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Employee leave/overtime carried forward from previous year is not accrued unless material.

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 2.0% (based on the indicative rate of return on high quality corporate bonds as measured by the yield on 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 or 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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 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 2021/22 that would have a material effect on the Council's transactions for 2020/21 and balances at 31 March 2021.

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:

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 £20,000 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.

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 2021 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 £81.7m	<p>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.</p> <p>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.</p> <p>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, except for Retail and specific trading related assets/sectors such as Car Parks. For these specific assets, valued at £21.9m across PPE and Investment Properties, a higher degree of caution should be attached to the valuation than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>The depreciation charge for PPE in 2020/21 was £2.153m. A movement of 1% would result in a change in the depreciation charge of approximately £21.5k.</p> <p>A 1% movement in the net book value of all PPE would result in a movement in the balance sheet of £817k.</p> <p>A 1% change in those asset values subject to 'material valuation uncertainty' would result in a £219k movement in the balance sheet.</p>
Investment Properties £54.7m	<p>The Council's investment properties have been independently valued by Wilks, Head and Eve.</p> <p>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.</p> <p>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, except for Retail and specific trading related assets/sectors such as Car Parks. For these specific assets, valued at £21.9m across PPE and Investment Properties, a higher degree of caution should be attached to the valuation than would normally be the case. However, the valuations have been professionally undertaken to RICS standards</p>	<p>A movement of 1% in the value of the investment property portfolio would result in an additional debit/credit to the CIES of £547k, which would be charged against the Revaluation Reserve or Capital Adjustment Account balances. The impact on usable reserves would be nil.</p> <p>A 1% change in those asset values subject to 'material valuation uncertainty' would result in a £219k movement in the balance sheet.</p>

	and therefore represent the best estimate at the current time.	
Pension Liability £46.2m	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 evidently had a major impact on the Council's operations – this disclosure note details the material impacts that it had on service income, expenditure and government grant support. All material items of income and expenditure are included on the face of the CIES.

Increased Service Expenditure

The following table shows the material areas of increased service expenditure attributable to Covid-19, reported within the CIES:

CIES - Cost of Services	Increased Service Expenditure £000	Description
Strategy & Resources Committee (Central Covid Expenditure - BECC and Community Hub)	665	The Borough Emergency Control Centre (BECC) and the Community Hub were essential to enable the Council to respond to the pandemic and support residents. The associated staffing costs, communications, additional cleaning and personal protective equipment (which were necessary to meet government guidance) totalled £665k for the year.
Community & Wellbeing Committee (Homelessness)	695	There were 101 households in nightly paid accommodation at year-end, well above the budgeted number of 58, resulting in unbudgeted expenditure of £323k. Furthermore, to implement the government's 'Everybody In' initiative, unbudgeted costs of £372k were incurred. This additional expenditure totalled £695k but was fully funded by government grants in 2020/21 – £536k from the Contain Outbreak Management Fund and £159k Rough Sleeper/Next Steps funding.

Reduced Service Income

The following table shows the material areas of reduced service income attributable to Covid-19, reported within the CIES:

CIES - Cost of Services	Reduced Service Income £000	Description
Environment & Safe Communities Committee (Car Parking)	2,490	During full lock down, usage of car parks declined dramatically, resulting in a net income reduction for the year of £2.49m – the Council's car parks are budgeted to achieve £4.57m income per annum.
Community & Wellbeing Committee (Sports, Leisure and Cultural)	791	<p>Epsom Playhouse remained closed for 2020/21 with a resulting net loss of income from ticket sales and hire totalling £397k.</p> <p>Bourne Hall and Ewell Court House were severely affected by social distancing and restricted gathering rules, with a net loss of room hire and café income totalling £205k.</p> <p>Closures at the Rainbow Centre have reduced income from management fees by £236k.</p> <p>Covid -19 restrictions prevented the running of sports events resulting in reduced costs of £47k favourable, mainly as staff were re-deployed to the Community Hub and the associated costs recharged within S&R Committee.</p>
Financing & Investment Income & Expenditure (Income from Subsidiary)	477	Income from Epsom & Ewell Property Investment Company was £477k adverse to budget, following a lease re-negotiation at one property, which was principally due to reduced office occupation attributable to Covid-19.

Community & Wellbeing (Social Centres)	73	The Community and Wellbeing Centre has been non-operational for most of the year due to Covid-19 restrictions, resulting in a loss of income on lettings, meals and fees of £113k. Offset against this are savings on staff costs, provisions and utilities totalling £40k, resulting in a £73k net adverse variance within the service.
Community & Wellbeing Committee (Countryside, Parks and Open Spaces)	72	<p>Covid -19 restrictions, including social distancing, has resulted in the following income losses totalling £126k:</p> <ul style="list-style-type: none"> - £54k from reduced sports activities / hire of pitches - £36k from the closure of the Harrier Centre - £8k from reductions in hires of barbeques - £28k from car boot sales at Hook Road Arena <p>These income losses are partially offset by reduced costs, mainly within grounds maintenance of £54k favourable.</p>

Government Grant Support to EEBC in CIES

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

Covid-19 Government Grants for EEBC (from MHCLG, unless otherwise stated)	£'000	Included in CIES line:
Income Compensation Scheme	3,082	Taxation & non-Specific Grant Income
Covid-19 Grant	1,018	Taxation & non-Specific Grant Income
Contain Outbreak Management Fund (Dept of Health & Social Care / Surrey County Council)	536	Community & Wellbeing
Contain Outbreak Management Fund (Dept of Health & Social Care / Surrey County Council)	186	Strategy & Resources
New Burdens - Business Grants Administration	375	Strategy & Resources
Rough Sleepers Grants	159	Community & Wellbeing
Clinically Extremely Vulnerable Persons Grant (Surrey County Council)	88	Strategy & Resources
Compliance, Enforcement & Environmental Health (MHCLG & Surrey County Council)	67	Environment & Safe Communities
Re-opening High Streets Safely (European Fund)	29	Strategy & Resources
New Burdens - Test & Trace Administration	23	Strategy & Resources
Total Covid-19 Government Support	5,563	

Grant Support to Businesses and Residents – recorded within CIES

Acting in a principal capacity, the Council received the following Covid-19 related grants from central government (MHCLG, unless otherwise stated); the Council then 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 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)
Local Restrictions Support Grant - Open	139	Eligible Businesses	62	Strategy & Resources	76
Local Authority Discretionary Grant Fund	550	Eligible Businesses	550	Strategy & Resources	0
Additional Restrictions Support Grant - Discretionary	2,329	Eligible Businesses	943	Strategy & Resources	1,386
Emergency Assistance - Food & Essential Supplies (from Surrey County Council)	39	Epsom & Ewell Foodbank	39	Community & Wellbeing	0
Council Tax Hardship Grant	344	Eligible Residents	299	Strategy & Resources	45
Total	3,400	-	1,892	-	1,508

*The remaining balances at 31/03/21 are available to be paid out to eligible businesses and residents in 2021/22. The amounts are all held on the balance sheet at 31 March 2021 within creditors, with the exception of Council Tax Hardship Grant, which is held in the earmarked Covid-19 Grants Reserve.

Grant Support to Businesses and Residents – recorded through Balance Sheet

Acting in an agency capacity, the Council received the following Covid-19 related grants from central government (all from MHCLG), 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 cash inflows and outflows in the Cash Flow Statement.

Grant name	Grant received by EEBC (£000)	Payable to:	Grant paid out in 2020/21 (£000)	Remaining grant balance at 31/03/21* (£000)
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	10,005	Eligible Businesses	10,005	0
Local Restrictions Support Grants	5,710	Eligible Businesses	2,910	2,800
Wet-Led Pub Grants	19	Eligible Businesses	12	7
Closed Business Support Grants	3,654	Eligible Businesses	1,916	1,738
Test & Trace - self isolation payments	144	Eligible Residents	56	89
Total	19,532	-	14,898	4,634

*The remaining balances at 31/03/21 are available to be paid out to eligible businesses and residents in 2021/22. The amounts are held on the balance sheet at 31 March 2021 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.

2019/20				Committee	2020/21			
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
2,878	688	(938)	2,628	Environment & Safe Communities	4,925	1,018	(784)	5,160
6,591	2,038	(1,541)	7,088	Community & Wellbeing	7,602	4,070	(1,080)	10,593
(424)	(1,243)	5,171	3,503	Strategy & Resources	(494)	(1,275)	4,743	2,973
9,045	1,482	2,692	13,219	Net Cost of Services	12,033	3,813	2,880	18,726
(9,056)	(4,170)	(2,409)	(15,635)	Other Income and Expenditure	(11,990)	7,493	(13,083)	(17,580)
(11)	(2,689)	283	(2,416)	(Surplus) or Deficit	43	11,306	(10,204)	1,146
(3,416)	Opening General Fund balance				(3,426)			
(3,426)	Closing General Fund balance				(3,383)			

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 to the Expenditure & Funding Analysis 2019/20

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	2,878	(389)	1,076	0	688	(938)	2,628
Community & Wellbeing	6,591	1,064	973	0	2,038	(1,541)	7,088
Strategy & Resources	(424)	(669)	(574)	0	(1,243)	5,171	3,503
Net Cost of Services	9,045	7	1,475	0	1,482	2,692	13,219
Other Income and Expenditure	(9,056)	(3,615)	974	(1,529)	(4,170)	(2,409)	(15,635)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	(11)	(3,609)	2,449	(1,529)	(2,689)	283	(2,416)
	£'000						
	(3,416)						
Opening General Fund at 1 April 2019							
(Surplus)/Deficit	(11)						
Closing General Fund balance at 31 March 2020	(3,426)						

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:

2019/20 £'000	Expenditure/Income	2020/21 £'000
	Expenditure	
15,048	Employee benefits expenses	13,947
30,097	Other services expenses	30,674
(477)	Support Services recharges	(495)
1,098	Depreciation, amortisation, impairment, & revaluation	4,179
2,826	Interest payments	2,699
606	Precepts and Levies	573
0	Movement in Investment Properties	1,237
34	Losses on the disposal of assets	0
49,232	Total expenditure	52,815
	Income	
(18,751)	Fees, charges and other service income	(13,277)
(3,536)	Interest and investment income	(2,860)
(8,230)	Income from council tax, non-domestic rates (business rates) and associated S31 grants	(8,646)
(20,573)	Government grants and contributions	(26,886)
(306)	Movement in Investment Properties	0
(252)	Gain on the disposal of assets	0
(51,648)	Total Income	(51,669)
(2,416)	(Surplus) or Deficit on the Provision of Services	1,146

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.

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)			2,153
Revaluation losses on Property Plant and Equipment	(2,001)			2,001
Reversal of movements in the market value of Investment Properties	(1,237)			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			(68)
Amortisation of intangible assets	(94)			94
Revenue expenditure funded from capital under statute	(1,521)			1,521
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0			0
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,359			(1,359)
Capital expenditure charged against General Fund balances	200			(200)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	2,395		(2,395)	
Application of grants to capital financing transferred to the CAA	724		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		485		(485)
Other transfers				
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,723)			3,723
Employer's pensions contributions and direct payments to pensioners payable in the year	2,420			(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			(2)
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	(7,747)			7,747
Total Adjustments	(11,306)	485	(742)	11,563

2019-20	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts	Capital Grants Unapplied (CIL)	
	£000	£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	(2,664)			2,664
Revaluation losses on Property Plant and Equipment	(474)			474
Reversal of movements in the market value of Investment Properties	306			(306)
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	1,846			(1,846)
Amortisation of intangible assets	(111)			111
Revenue expenditure funded from capital under statute	(869)			869
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(34)			34
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,249			(1,249)
Capital expenditure charged against General Fund balances	123			(123)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	3,131		(3,131)	
Application of grants to capital financing transferred to the CAA	854		843	(1,697)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	252	(252)		
Use of the Capital Receipts Reserve to finance new capital expenditure		664		(664)
Other transfers				
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(4,711)			4,711
Employer's pensions contributions and direct payments to pensioners payable in the year	2,262			(2,262)
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	(28)			28
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	1,557			(1,557)
Total Adjustments	2,689	412	(2,288)	(813)

Note 10: Movements in Usable Reserves

	Balance at 31 March 2019 £'000	Transfers		Balance at 31 March 2020 £'000	Transfers		Balance at 31 March 2021 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
General Fund	(3,416)	(11)	0	(3,426)	0	43	(3,383)
Strategic Reserves							
Insurance	(466)	(4)	4	(466)	(1)	25	(442)
Repairs and Renewals	(274)	(92)	6	(360)	(34)	3	(391)
Interest Equalisation	(631)	0	231	(400)	0	0	(400)
VAT Reserve	(320)	0	69	(251)	0	52	(199)
Housing & Planning Delivery Grant	(176)	(29)	118	(87)	0	0	(87)
Property Maintenance	(573)	(95)	118	(550)	(173)	175	(548)
Commuted Sums	(1,941)	(39)	516	(1,464)	(29)	46	(1,447)
Hospital Cluster Interest	(233)	(3)	236	0	0	0	0
Corporate Projects Reserve	(3,249)	(991)	284	(3,956)	(826)	110	(4,673)
Community Safety	(110)	(18)	17	(111)	(2)	4	(109)
Historic Buildings	(3)	0	3	0	0	0	0
Local Partnership Fund	(28)	0	0	(28)	0	0	(28)
Prevention, Personalisation & Partnership Fund	(73)	0	0	(73)	0	0	(73)
Business Rates Equalisation	(3,066)	(441)	2,216	(1,291)	(8,015)	0	(9,306)
Residential Property Acquisition Fund	(1,181)	0	20	(1,161)	0	95	(1,066)
Property Income Equalisation	(2,180)	(893)	(757)	(3,830)	(1,666)	0	(5,496)
HIA Hardship fund	(75)	(17)	4	(88)	(36)	0	(124)
Sports & Leisure Development	(87)	(4)	5	(86)	(2)	0	(87)
Flexible Housing Support Grant	(492)	(104)	0	(596)	0	211	(385)
Homelessness Reduction Act	(19)	0	0	(19)	0	0	(19)
Mortgage Rescue Funding	(11)	0	2	(9)	0	0	(9)
Surrey Homeless Alliance Funding	(5)	0	4	(1)	0	0	(1)
Basic Payments Scheme	(31)	(92)	0	(123)	(19)	0	(141)
Community Housing Fund	(8)	8	0	0	0	0	0
Covid Grants Reserve	0	0	0	0	(121)	0	(121)
Subtotal Strategic Reserves	(15,232)	(2,814)	3,096	(14,948)	(10,924)	721	(25,152)
Community Infrastructure Levy	(5,389)	(3,230)	942	(7,677)	(2,574)	1,833	(8,419)
Capital Receipts Reserves	(4,947)	(252)	664	(4,535)	0	485	(4,050)
Total Usable Reserves	(28,982)	(6,307)	4,702	(30,586)	(13,498)	3,082	(41,003)

Note 11: Other Operating Expenditure in CIES

2019/20 £'000		2020/21 £'000
(218)	(Gains) /Losses on the Disposal of Non-Current Assets	0
(218)	Total	0

Note 12: Financing and Investment Income and Expenditure in CIES

2019/20 £'000		2020/21 £'000
1,858	Interest Payable and Similar Charges	1,835
968	Net Interest on the Net Defined Benefit Liability	864
(306)	Movement in Investment Property Valuations	1,237
(2,410)	Investment Property Rentals Trading Account	(2,960)
(2,026)	Interest Receivable and Similar Income	(1,874)
(1,510)	Other Income from Subsidiary	(986)
(3,425)	Total	(1,883)

Note 13: Taxation and Non Specific Grant Income in CIES

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

2019/20 £'000		2020/21 £'000
(6,577)	Council Tax Income	(6,726)
(1,653)	Non Domestic Rates & S31 Relief Grants	(1,920)
(444)	New Homes Bonus Grant*	(385)
0	Covid-19 Unringfenced Support Grant	(1,018)
0	Covid-19 Income Compensation Scheme	(3,082)
(3,317)	Capital Grants and Contributions	(2,565)
(11,991)	Total	(15,697)

*New Homes Bonus received in 2020/21 was £0.385m, 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:

2019/20 £'000		2020/21 £'000
(51)	Council Tax Support Admin Grant	(49)
(236)	Benefits Admin Grant	(169)
(17,918)	Rent Allowances- Housing Benefit Subsidy	(17,173)
(286)	Elections	(4)
(158)	Personal Services	(137)
(66)	Highways and parking	(86)
(102)	Venues	(138)
(357)	Homelessness & Rough Sleepers	(567)
0	Covid-19 New Burden & Support Grants	(585)
0	Covid-19 Support for eligible Businesses & Individuals	(1,937)
0	Contain Outbreak Management Fund (Covid-19)	(722)
(767)	Disabled Facilities Grant	(734)
(189)	Other Smaller Grants	(99)
(20,129)	Total	(22,400)

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.

2019/20 £'000		2020/21 £'000
(2,652)	Other grants and Section 106 Contributions	(3,230)
(2,652)	Total	(3,230)

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 2020/21 account for £88.99 million of the gross book value of assets at 31 March 2021.

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, except for Retail and specific trading related assets/sectors such as Car Parks. For these specific assets, a higher degree of caution should be attached to the valuation than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.

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 – 15 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 2020/21

TANGIBLE NON CURRENT 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 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
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)
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

Movements on Non Current Assets – Property, Plant & Equipment 2019/20

TANGIBLE NON CURRENT ASSETS	Other Land and Buildings £'000	Vehicle Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Totals £'000
Gross Book Carrying Value as at 1 April 2019	70,863	10,861	160	4,305	835	65	87,089
Additions	314	41	0	113	1,050	0	1,518
Revaluation Movement Recognised in the Revaluation Reserve	(407)	(229)	0	0	0	0	(636)
Derecognition - Disposals	0	(1,044)	0	(34)	0	0	(1,078)
Assets Reclassified	(251)	114	0	0	(390)	527	0
Other Movements	0	0	(2)	0	0	0	(2)
Gross Book Carrying Value at 31 March 2020	70,519	9,743	158	4,384	1,495	592	86,891
Accumulated Impairment & Depreciation as at 1 April 2019	(7,502)	(3,209)	0	(942)	0	0	(11,653)
Depreciation Charge for the Year	(1,894)	(759)	(10)	0	0	0	(2,664)
Depreciation written out to the Surplus/Deficit on the Provision of Service	26	0	0	0	0	0	26
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	1,372	0	0	0	0	0	1,372
Derecognition - disposals	0	1,044	0	0	0	0	1,044
Depreciation Written out to the Revaluation Reserve	6,846	469	0	0	0	0	7,315
Other Movements	0	0	(11)	0	0	0	(11)
Accumulated Impairment & Depreciation as at 31 March 2020	(1,152)	(2,455)	(21)	(942)	0	0	(4,570)
TOTAL NET CARRYING BOOK VALUE at 31 March 2020	69,367	7,288	137	3,442	1,495	592	82,321

Capital Expenditure

Capital expenditure and revenue expenditure funded from capital under statute (REFCUS) of £3.073m was incurred in 2020/21 as follows:

2019/20 £'000		2020/21 £'000
1,518	Non Current Assets - PPE	1,237
6,077	Investment Assets	124
0	Investment in Subsidiary	0
97	Intangibles	191
869	Revenue Expenditure Funded from Capital Under Statute	1,521
8,561	Total Capital Expenditure	3,073

Funding of capital expenditure is detailed below:

2019/20 £'000		2020/21 £'000
664	Capital Reserves	485
838	Government Grants	734
123	Revenue	200
16	Section 106 Receipts	0
843	Community Infrastructure Levy Receipts	1,654
6,077	Internal Borrowing	0
8,561	Total Capital Funding	3,073

A net contribution of £200k (£123k contribution in 2019/20) was set aside from revenue to finance capital expenditure in 2020/21.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2021 amounts to £1.636m as detailed below.

2019/20 £'000		2020/21 £'000
155	Epsom Cemetery Extension	0
2,575	Plan E Town Centre works	1,127
2	Epsom Datacentre	0
0	Outdoor Gym - Chessington Rd	23
464	Replacement of CRM and Data Warehouse	410
0	Renewal of Town Hall lifts	76
3,196	Total Capital Commitments	1,636

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, Wilkes, 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 2018 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2021 £'000
Operational Assets				
Land and Buildings	19,345	13,518	40,412	31,291

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:

2019/20		2020/21
£'000		£'000
(2,819)	Rental Income from Investment Property	(3,302)
409	Other Net Expenditure Arising from Investment Property	342
(2,410)	Net (Income)/Expenditure	(2,960)

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 2021 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. Due to the ongoing Covid-19 pandemic at the reporting date, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the review/ valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time. The following table summarises the movement in the fair value of investment properties over the year.

2019/20 £'000		2020/21 £'000
49,383	Balance at the Start of the Year	55,776
6,077	Purchases/Enhancements	124
0	Disposals	0
305	Net gains/(losses) from Fair Value Adjustments	(1,237)
11	Transfers to Assets Held For Sale/Other adjustments	0
55,776	Balance at the Year End	54,663

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:

2019/20 £'000		2020/21 £'000
	Balance at the start of the year	
605	Gross Carrying Amounts	540
(298)	Accumulated Amortisation	(246)
307	Net Carrying Amount at the Start of the Year	294
97	Additions	191
0	Assets under construction brought into use	220
(163)	Disposals	(165)
163	Amortisation written out on disposal	165
(110)	Amortisation for the Period	(94)
294	Net Carrying Value at the End of the Year	611

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:

Financial Asset Category	Counterparty	Investment at 31 March 2021
Cash Equivalents - Fair Value Through Profit & Loss		
Deposits with Money Market Funds	Goldman Sachs	£5.0m
	Deutsche	£5.0m
	RBS	£3.0m
	UBS	£5.0m
	State Street	£0.7m
Total Cash Equivalents		£18.700m
Short Term Investments - Amortised Cost		
Fixed Term Deposit with Building Societies and bank		£0m
Total Short Term Investments		£0m

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 2021.

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 £24,117,000 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:

2019/20				2020/21		
Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000		Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000
233	0	233	Interest expense - finance leases	208	0	208
1,625	0	1,625	Interest expense - borrowings	1,625	0	1,625
0	0	0	Fee expense	0	0	0
1,858	0	1,858	Total expense in Surplus or Deficit on the Provision of Services	1,833	0	1,833
0	(217)	(217)	Interest Income - treasury investments	0	(63)	(63)
0	(1,809)	(1,809)	Interest Income - loans to subsidiary	0	(1,809)	(1,809)
0	(2,026)	(2,026)	Total Income in Surplus or Deficit on the Provision of Services	0	(1,872)	(1,872)
1,858	(2,026)	(168)	Net (Income)/Expenditure for the Year	1,833	(1,872)	(39)

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 2021 are detailed below.

Financial Asset Category	Counterparty	Investment at 31 March 2021
Cash Equivalents - Fair Value Through Profit & Loss		
Deposits with Money Market Funds	Goldman Sachs	£5.000m
	Deutsche	£5.000m
	RBS	£3.000m
	UBS	£5.000m
	State Street	£0.700m
Total Cash Equivalents		£18.700m
Short Term Investments - Amortised Cost		
Fixed Term Deposit with Building Societies and bank		£0m
Total Short Term Investments		£0m

The Authority's maximum exposure to credit risk in relation to its investments is £18.7m. 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 2021	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-21	Estimated maximum exposure to default and un- collectability at 31 March 2021	Historical experience adjusted for market conditions at 31-Mar-20	Estimated maximum exposure at 31-Mar-20
	£'000	%	%	£'000	%	£'000
	A	B	C	(A x C)	C	
Goldman Sachs	5,000	0	0	0	0	0
Deutsche	5,000	0	0	0	0	0
RBS	3,000	0	0	0	0	0
UBS	5,000	0	0	0	0	0
State Street	700	0	0	0	0	0
Customers	3,495	3.07%	18.99%	664	12.02%	376

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 £3.5m balance £2.2m is overdue for payment. The overdue amount can be analysed by age as follows:

31-Mar-20 £'000		31-Mar-21 £'000
190	Less than three months	874
390	Three to Five months	513
550	More than Five Months	826
1,130	Total	2,213

To reflect the increased aged debtors, the bad debt provision has increased by a net £320k, from £324k at 31 March 2020 to £664k at 31 March 2021.

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 2021, 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	187
Impact on Surplus or Deficit on the Provision of Services	187
Decrease in fair value of fixed rate investment assets	16

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 2020/21 compared to 2019/20.

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-20			31-Mar-21	
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	63,456	Loans to Subsidiary (Amortised Cost)	36,176	69,285
5,000	5,043	Other Investments (Amortised Cost)	0	0
9,600	9,600	Other Investments (FVPL)	18,700	18,700
3,131	3,131	Trade Debtors (Amortised Cost)	3,495	3,495
78,024	105,347	Total Financial Assets	82,488	115,597

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-20			31-Mar-21	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
64,427	67,501	PWLB Loans	64,427	74,677
3,046	3,046	Finance Lease Liabilities	2,666	2,666
3,192	3,192	Creditors	2,430	2,430
70,665	73,739	Total Financial Liabilities	69,523	79,773

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.

2019/20 £'000		2020/21 £'000
1,778	Central government bodies	1,744
0	Other Local Authorities	1,001
595	Council Tax Payers	279
127	Non Domestic Rate Payers	150
3,319	Other Entities and individuals	2,837
5,819	Total Debtors	6,011

Long term debtors (greater than 365 days):

2019/20 £'000		2020/21 £'000
0	Lease Debtors	336
36,176	Loans to Subsidiary	36,176
36,176	Total	36,512

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.

2019/20 £'000		2020/21 £'000
636	Cash at Bank	2,024
9,600	Cash Equivalents	18,700
10,236	Cash and Cash Equivalents	20,724

Note 21: Creditors

A summary of creditors is detailed below.

2019/20		2020/21
£'000		£'000
(241)	Central Government Bodies	(7,521)
(4,239)	Other Local Authorities	(244)
(747)	Council Tax Payers	(87)
(43)	Non Domestic Ratepayers	(66)
(5,312)	Other Entities and individuals	(4,346)
(10,582)	Total	(12,264)

Note 22: Provisions

A summary of Long Term Provisions is detailed below.

	NDR Appeals
	£'000
2019/20	
Opening balance at 1 April 2019	(305)
Net additional provision made in year	(121)
Balance at 31 March 2020	(426)
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)

The Council has one outstanding provision of £0.536m for its share of appeals against NDR (Business Rates) charges. The total £0.536m 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 2019/20 £'000	Net Movement in year £'000	Balance 2020/21 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(3,426)	43	(3,383)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(14,948)	(10,203)	(25,152)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Grants Unapplied Account (CIL)	(7,677)	(742)	(8,419)	Community Infrastructure Levy used to fund investment in infrastructure.	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(4,535)	485	(4,050)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total Usable Reserves	(30,586)	(10,417)	(41,003)		
Revaluation Reserve	(45,929)	(3,084)	(49,013)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(61,739)	2,515	(59,224)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Council Tax Adjustment Account	(3)	(2)	(5)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	(1,133)	7,747	6,614	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	37,354	8,847	46,201	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 32
Total Unusable Reserves	(71,450)	16,023	(55,428)		
Total Reserves	(102,036)	5,606	(96,431)		

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.

2019/20 £'000		2020/21 £'000
(39,225)	Balance at 1 April	(45,929)
(8,260)	Upward revaluation of assets	(7,229)
1,556	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,145
(6,704)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3,084)
0	Amount written off to the Capital Adjustment Account	0
(45,929)	Balance at 31 March	(49,013)

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:

2019/20 £'000		2020/21 £'000
(60,006)	Balance brought forward at 1 April	(61,739)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
2,664	- charges for depreciation and impairment of non-current assets	2,153
(1,372)	- revaluation (gains)/losses on property, plant & equipment	1,932
111	- amortisation of intangible assets	94
869	- revenue expenditure funded from capital under statute	1,521
34	- 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
2,307	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	5,700
(57,699)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(56,039)
	<u>Capital Financing Applied in the Year</u>	
(664)	- use of the Capital Receipts Reserve used to finance new expenditure	(485)
(1,697)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,378)
(1,249)	- statutory provision for the financing of capital investment charged against the general fund	(1,359)
(123)	- capital expenditure charged against the General Fund	(200)
(3,734)	Total Capital Financing Applied	(4,422)
(306)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,237
(61,739)	Balance Carried Forward at 31 March	(59,224)

Usable Capital Receipts Reserve

2019/20 £'000		2020/21 £'000
(4,947)	Balance brought forward at 1 April	(4,535)
(252)	Amounts receivable in year	0
664	Amounts applied to finance new capital investment	485
412	Total (Increase)/decrease in realised capital receipts	485
(4,535)	Balance carried forward at 31 March	(4,050)

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.

2019/20 £'000		2020/21 £'000
393	Balance at the start of the year	(1,136)
28	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	(2)
(1,557)	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	7,747
(1,136)	Balance at the end of the year	6,609

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

2019/20 £'000	Details	2020/21 £'000
(1,292)	Charges for depreciation, impairment, and revaluation of non-current assets	(4,086)
306	Movements in the market value of Investment Properties	(1,237)
(111)	Amortisation of intangible assets	(94)
(34)	Carrying amount of non-current assets sold or de-recognised	0
(2,449)	Movement in pension liability	(1,303)
(1,167)	Increase/(decrease) in debtors	(70)
1,197	(Increase)/decrease in creditors	(646)
(121)	(Increase)/decrease in provisions	(110)
(17)	Increase/(decrease) in inventories	3
(3,688)	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	(7,543)

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

2019/20 £'000	Details	2020/21 £'000
1,264	Capital Grants credited to surplus or deficit on the provision of services	4,394
252	Proceeds from the sale of property plant and equipment, investment property and intangible assets	0
1,516	Total	4,394

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2019/20 £'000	Details	2020/21 £'000
7,715	Purchase of property, plant and equipment, investment property and intangible assets	957
2,000	Short Term Investments	(5,000)
(1,264)	Capital Grants Received	(4,394)
(252)	Receipts from sale of assets	(0)
8,199	Total	(8,438)

Note 26: Cashflow from Financing Activities

2019/20 £'000	Details	2020/21 £'000
355	Cash payments for the reduction of finance leases	380
(3,622)	Other financing activities (collection fund and business grant agency arrangements)	(428)
(3,267)	Total	(47)

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

	Borrowings £'000	Lease Liabilities £'000	Total £'000
2019/20			
Opening Balance at 1 April 2019	(64,427)	(3,401)	(67,828)
<u>Cash Flows</u>			
Repayment	0	355	355
Balance at 31 March 2020	(64,427)	(3,046)	(67,473)
2020/21			
<u>Cash Flows</u>			
Repayment	0	380	380
Balance at 31 March 2021	(64,427)	(2,666)	(67,093)

Note 27: Members' Allowances

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

Payments made	2019/20 £'000	2020/21 £'000
Salaries	0	0
Allowances	168	182
Expenses	6	0
Total	175	182

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 £50,000 in bands of £5,000:

No. of Staff 2019/20	Remuneration Range	No. of Staff 2020/21
3	£50,000 - £54,999	3
2	£55,000 - £59,999	3
2	£60,000 - £64,999	3
4	£65,000 - £69,999	0
2	£70,000 - £74,999	6
0	£75,000 - £79,999	1
0	£95,000 - £99,999	1
1	£100,000 - £104,999	0
1	£110,000 - £114,999	0
0	£115,000 - £119,999	1
15	Total	18

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below.

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

The Chief Operating Officer left the Council in January 2021 and was not replaced directly during the year. From 2021/22, the post has been replaced by a new Director of Environment, Housing and Regeneration

Comparative 2019/20 figures are shown in the following table:.

2019/20	Chief Executive £'000	Chief Finance Officer £'000	Chief Legal Officer £'000	Chief Operating Officer £'000
Salary	100	69	72	94
Expenses Allowances	4	0	0	4
Other Benefits	8	0	0	7
Total remuneration excluding Pension contributions	112	69	72	105
Pension Contributions	15	11	11	15
Total remuneration including pension contributions 2019/20	127	80	83	120

Exit Packages

In 2020/21 there were no exit packages paid. There were six exit packages paid in the prior year totalling £74,536.

No. of Staff 2019/20	Exit Packages	No. of Staff 2020/21
6	£0 - £19,999	0
0	£20,000 - £39,999	0
0	£40,000 - £59,000	0
6	Total	0

Note 29: Audit Costs

In 2020/21, the Council expects to incur the following fees relating to external audit and inspection:

2019/20 Restated* £'000		2020/21 £'000
34	Scale fee payable to the external auditors with regard to external audit	34
10	Additional audit fee variations (20/21 is subject to agreement of PSAA)	26
7	Additional fees for COVID-19 pressures	0
16	Fees payable to the external audit for the certification of Housing Benefit subsidy claim	16
67	Total	76

*2019/20 fees have been re-stated to include additional fee variations totalling £17k, of which, £12k were agreed after publication of the 2019/20 Statement of Accounts.

Note 30: Capital Financing Requirement

2019/20 £'000		2020/21 £'000
86,808	Opening Capital Financing Requirement	91,636
	Capital investment:	
375	Property, Plant and Equipment	83
6,077	Investment Properties	124
1,030	Assets under Construction	1,154
113	Community Assets	0
97	Intangible Assets	191
869	Revenue Expenditure Funded from Capital under Statute	1,521
0	Other movements*	(10)
	Sources of finance:	
(664)	Capital receipts	(485)
(1,697)	Government grants and other contributions	(2,378)
	Sums set aside from revenue:	
(123)	Direct revenue contributions	(200)
(1,249)	Minimum Revenue Provision	(1,359)
91,636	Closing Capital Financing Requirement	90,277
4,828	Increase/(decrease) in Capital Financing Requirement	(1,359)

* Correcting adjustment for over-accrued expenditure of £9,500 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:

2019/20 £'000		2020/21 £'000
3,309	Vehicles, Plant, and Equipment	2,863

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:

2019/20 £'000		2020/21 £'000
380	Finance lease liabilities: Current	409
2,666	Finance lease liabilities: non-Current	2,257
824	Finance costs payable in future years – Interest	616
3,870	Minimum lease payments	3,282

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2019/20 £'000	2019/20 £'000		2020/21 £'000	2020/21 £'000
588	380	Not later than one year	588	409
2,191	1,654	Later than one year and not later than five years	2,128	1,713
1,091	1,012	Later than five years	566	544

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 2020/21 the Council received £3.302m (note 16) net rental income from investment properties (£2.819m in 2019/20), 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 £53.9m in 2020/21 (£54.1m in 2019/20).

The lease payments receivable in future years are:

Lease Income at 31 March 2020 Restated* £'000		Lease Income at 31 March 2021 £'000
2,938	Not later than one year	2,728
7,945	Later than one year and not later than five years	6,969
78,374	Later than five years	76,989
89,257	Total	86,686

* 2019/20 figures have been restated to remove the future rent for two properties for which a break clause was identified after the production of the 2019/20 accounts. This has resulted in a reduction in the 'later than one year but not later than five years' figure of £4.082m and the 'later than five years' figure of £1.219m.

£29.5 million of the income is from leases granted on Longmead and Nonsuch industrial estates.

The Council leases parts of the Town Hall to Surrey County Council (SCC) and Surrey Police. The lease with SCC is on a rolling basis and earns annual rental of £96,000 per annum. The lease with Surrey Police is for ten years commencing January 2012 with an annual value of £47,000. Income from both leases are included within the cost of services and part of the lease income table above.

Note 32: Pension Costs

Participation in Pension Schemes

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

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

2019/20 £'000		2020/21 £'000
	Comprehensive Income and Expenditure Statement	
	<u>Net Cost of Services:</u>	
3,715	Current service cost	2,859
28	Past service gain/cost	0
	<u>Financing and Investment Income and Expenditure:</u>	
968	Net Interest Expense	864
4,711	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,723
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
(2,512)	Changes in demographic assumptions	1,363
(7,768)	Changes in financial assumptions	23,864
(1,820)	Other experience	(1,136)
7,471	Return on assets excluding amounts included in net interest	(16,547)
(4,629)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	7,544
	<u>Movement in Reserves Statement</u>	
(4,711)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,723)
2,262	Employers' contributions payable to scheme	2,420

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 increase in liability of £8.847m impacts the net assets of the authority as recorded in the balance sheet, resulting in an overall pension liability of £46.2m. The pension liability is 48% of the balance sheet net value in 2020/21 compared to 36% in 2019/20.

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 2021 are as follows:

2019/20 £'000		2020/21 £'000
(109,928)	1 April 2020	(100,859)
	Adjustment to opening balance	
(3,715)	Current service cost	(2,859)
(28)	Past service cost	0
(2,648)	Interest cost	(2,317)
(591)	Contribution from scheme participants	(596)
95	Unfunded benefits paid	90
3,856	Benefits paid	3,505
	<u>Remeasurement gains/(losses):</u>	
2,512	- actuarial gains/losses arising from changes in demographic assumptions	(1,363)
7,768	- actuarial gains/losses arising from changes in financial assumptions	(23,864)
1,820	- Other experience	1,136
(100,859)	Estimated scheme liabilities at 31 March 2021	(127,127)
70,394	1 April 2020	63,505
	Adjustment to opening balance	
1,680	Interest income	1,453
	<u>Remeasurement gain/(loss):</u>	
(7,471)	- return on plan assets, excluding the amount in net interest expense	16,547
2,262	Contributions from employer	2,330
591	Contributions from employees into the scheme	596
(3,951)	Benefits paid	(3,505)
63,505	Estimated scheme assets at 31 March 2021	80,926
(37,354)	Net asset / (liability) 31 March 2021	(46,201)

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

2019/20 £'000		2020/21 £'000
(5,791)	Actual return as per actuaries	18,000

The return on the fund in market value terms for the period to 31 March 2021 is estimated based on actual funds return as provided by the administering authority and index returns where necessary.

Scheme History

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Present value of liabilities:						
Local Government Pension Scheme	(86,619)	(100,284)	(101,242)	(109,928)	(100,859)	(127,127)
Fair Value of Assets:						
Local Government Pension Scheme	58,560	66,991	67,207	70,394	63,505	80,926
Total	(28,059)	(33,293)	(34,035)	(39,534)	(37,354)	(46,201)

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 £2,351,000 into the Local Government Pension Scheme in the year to 31 March 2022.

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:

2019/20		2020/21
	Longevity at 65 for current pensioners:	
22.1	Men	22.3
24.3	Women	24.7
	Longevity at 65 for future pensioners:	
22.9	Men	23.4
25.7	Women	26.4
1.9%	Rate of increase in pensions	2.9%
2.8%	Rate of increase in salaries	3.8%
2.3%	Rate for discounting scheme liabilities	2.0%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

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

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

- 0.5% decrease in Real Discount Rate would result in an approximate increase in the defined benefit liability of £11.515m (9%)
- 0.5% increase in the Salary Increase Rate would result in an approximate increase in the defined benefit liability of £0.811m (1%)
- 0.5% increase in the Pension Increase Rate would result in an approximate increase in the defined benefit liability of £10.484m (8%)

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 2019/20		Percentage of Fund Assets 2020/21
72%	Equity Investments	74%
18%	Bonds	18%
7%	Property	6%
3%	Cash	2%
100%	Total	100%

Movement in net pension liability:

2019/20 £'000		2020/21 £'000
(39,534)	Opening Balance	(37,354)
	Adjustment to opening liability	
(3,715)	Current Service Costs	(2,859)
(28)	Past Service gains/(Costs)	0
(968)	Net Interest Expense	(864)
2,262	Employer Contributions	2,420
4,629	Remeasurements	(7,544)
(37,354)	Closing Balance	(46,201)

Note 33: Contingent Liabilities & Assets

Contingent Liability – Municipal Mutual Insurance

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 2020. The Council's earmarked Insurance Reserve includes an amount to cover any potential future claims.

Contingent Asset – Rent Reviews

The Council is carrying out a number of rent reviews at a number of industrial estates within the Borough which could lead to higher back-dated rental income. The estimated back rent due to the Council across various industrial estates is £900k, however, this figure is subject to negotiation and agreement with the relevant tenants.

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 £642,000 in 2020/21 (£683,000 in 2019/20). The grants were made with proper consideration of declarations of interests that are all recorded by the Council and open to public inspection.

Organisation	2019/20 £'000	2020/21 £'000
Age Concern	18	18
British Telecommunications Plc	8	11
Citizen Advice Bureau	126	126
Epsom Symphony Orchestra	9	0
F Giles	0	1
Horton Chapel Arts & Heritage Society	482	488
London Borough of Merton	0	7
Local Government Association	12	9
Reed Employment	23	37
Unison	6	0
Total	683	697

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2021, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Accountant, 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 2020/21 the Council entered into the following related party transactions with EEPIC:

Transaction Description	2019/20 £'000	2020/21 £'000
<u>Amounts received by EEPIC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(111)	(118)
Dividend from EEPIC	(1,399)	(868)
Total	(3,319)	(2,795)

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.

2019/20				2020/21		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(63,508)	(63,508)	INCOME:			
(24,887)	0	(24,887)	Council Tax Receivable		(66,081)	(66,081)
(75)	0	(75)	Business Rates Receivable	(10,036)	0	(10,036)
			Transitional Protection Payments receivable	329	0	329
(24,962)	(63,508)	(88,470)	Total Income	(9,707)	(66,081)	(75,788)
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
(2,268)	0	(2,268)	Central Government	56	0	56
(1,804)	80	(1,724)	Epsom & Ewell Borough Council	1,425	11	1,436
(427)	584	157	Surrey County Council	3,231	77	3,308
0	98	98	Surrey Police Authority	0	14	14
			Precepts, Demands and Shares			
12,460	0	12,460	Central Government	12,637	0	12,637
9,968	6,525	16,493	Epsom & Ewell Borough Council	10,110	6,713	16,823
2,492	47,814	50,306	Surrey County Council	2,527	49,908	52,435
0	8,572	8,572	Surrey Police Authority	0	8,934	8,934
			Charges to Collection Fund			
273	96	369	Increase / (Decrease) in Bad Debt Provision	140	400	540
303	0	303	Increase / (Decrease) in Provision for Appeals	18	0	18
83	0	83	Cost of Collection	82	0	82
21,080	63,769	84,849	Total Expenditure	30,226	66,057	96,283
(3,883)	261	(3,621)	(Surplus) / Deficit arising during the year	20,519	(24)	20,495
(100)	(294)	(395)	(Surplus) / Deficit b/fwd 1 April	(3,983)	(32)	(4,015)
(3,983)	(32)	(4,015)	(Surplus) / Deficit c/fwd 31 March	16,536	(55)	16,481
			Apportionment to Preceptors/EEBC			
308	0	308	Central Government	8,268	0	8,268
(1,133)	(3)	(1,136)	Epsom & Ewell Borough Council	6,614	(5)	6,609
(3,158)	(25)	(3,183)	Surrey County Council	1,654	(42)	1,612
0	(4)	(4)	Surrey Police Authority	0	(8)	(8)
(3,983)	(32)	(4,015)		16,536	(55)	16,481

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	97.97	6/9 th	65.31
	B	742.99	7/9 th	577.88
	C	4,115.89	8/9 th	3,658.57
	D	7,712.48	9/9 th	7,712.48
	E	6,975.19	11/9 th	8,525.24
	F	4,385.05	13/9 th	6,333.96
	G	3,852.98	15/9 th	6,421.63
	H	130.88	18/9 th	261.75
Aggregate of Relevant Amounts				33,556.82
Estimated Collection Rate				98.40%
Council Tax Base				33,019.91

The Council achieved a council tax collection rate of 98% in 2020/21 (99% in 2019/20).

Non-Domestic Rates Statistics

2019/20 £'000		2020/21 £'000
64,458	Total Non-Domestic Rateable Value at year end	64,319
50.4	National Non-Domestic Rate Multiplier (Standard)	51.2

Precepting Bodies

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

2019/20 £'000		2020/21 £'000
47,814	Surrey County Council	49,908
8,572	Surrey Police	8,934
6,525	Epsom and Ewell Borough Council	6,713
62,911	Total Precepts on Collection Fund	65,555

Distribution of Council Tax Surplus

2019/20 £000		2020/21 £000
584	Surrey County Council	77
98	Surrey Police Authority	14
80	Epsom & Ewell Borough Council	11
762	Balance at Year End	102

Council Tax Provision for Bad Debts

2019/20 £000		2020/21 £000
588	Opening Balance	560
(28)	Increase/(Decrease) in Bad Debt Provision	375
560	Balance at Year End	935

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

Group Comprehensive Income & Expenditure Statement

2019/20 Group CIES				2020/21 Group CIES		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	Committee	£'000	£'000	£'000
9,914	(7,287)	2,628	Environment & Safe Communities	10,232	(5,072)	5,160
12,335	(5,246)	7,088	Community and Wellbeing	13,930	(3,337)	10,593
23,708	(20,205)	3,503	Strategy and Resources	24,374	(21,401)	2,973
45,957	(32,738)	13,219	Cost of Services	48,536	(29,810)	18,726
34	(252)	(218)	Other Operating Expenditure (Note 11)	0	0	0
3,736	(9,585)	(5,849)	Financing and investment Income and Expenditure (Note 12)	4,578	(5,017)	(439)
0	(11,991)	(11,991)	Taxation and non-specific grant income and expenditure (Note 13)	0	(15,697)	(15,697)
49,727	(54,567)	(4,839)	(Surplus) or Deficit on Provision of Services	53,114	(50,524)	2,590
		(6,704)	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(3,084)
		(4,629)	Remeasurement of net defined benefit liability/(asset) (Note 32)			7,544
		(11,333)	Other Comprehensive (Income) and Expenditure			4,460
		(16,173)	Total Comprehensive (Income) and Expenditure			7,050

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
2020/21	£'000	£'000	£'000	£'000	£'000
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)
2019/20					
Balance at 01 April 2019	(28,982)	(59,305)	(203)	2,138	(86,351)
Movement in Reserves During 2019/20					
Total Comprehensive Income, Expenditure and Dividends	(2,416)	(11,333)	139	(2,562)	(16,173)
Adjustments between accounting basis and funding under regulations (Note 9)	813	(813)	0	0	0
Increase or Decrease in 2019/20	(1,603)	(12,146)	139	(2,562)	(16,173)
Balance at 31 March 2020 carried forward	(30,586)	(71,450)	(64)	(424)	(102,524)

Group Balance Sheet

2019/20 Group £'000		2020/21 Group £'000
	Long-term Assets	
81,730	Property, Plant and Equipment	81,736
116,238	Investment Properties	113,279
722	Heritage Assets	722
294	Intangible Assets	611
0	Long Term Investments	0
0	Long Term Debtors	336
592	Surplus Assets	592
199,575	Total Long-term Assets	197,276
	Current Assets	
63	Inventories	66
0	Assets Held for Sale	0
6,308	Short-term Debtors	6,855
5,000	Short-term Investments	0
11,484	Cash and Cash Equivalents	21,691
22,855	Total Current Assets	28,612
	Current Liabilities	
(11,839)	Short-term Creditors	(13,270)
(380)	Lease Liability - Within One year	(409)
(12,219)	Total Current liabilities	(13,679)
	Long-term Liabilities	
(64,427)	Long Term Borrowing	(64,427)
(37,354)	Defined Benefit Pension Liability	(46,201)
(2,652)	Capital Grants Receipts in Advance	(3,230)
(588)	Long-term Provisions	(620)
(2,666)	Deferred Liabilities	(2,257)
(107,687)	Total Long-term Liabilities	(116,734)
102,524	NET ASSETS	95,474
	Total Reserves	
(30,650)	Usable Reserves	(41,468)
(71,874)	Unusable Reserves	(54,006)
(102,524)	TOTAL RESERVES	(95,474)

Group Cash Flow Statement

2019/20 Group		2020/21 Group
£'000		£'000
(4,839)	Net (Surplus) or Deficit on the Provision of Services	2,590
(677)	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	(8,706)
1,516	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	4,394
(4,001)	Net cash flows from Operating Activities	(1,721)
8,199	Net cash outflow / (inflow) from Investing Activities	(8,438)
(3,267)	Net cash outflow / (inflow) from Financing Activities	(47)
931	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period	(10,207)
12,415	Cash and Cash Equivalents at the Beginning of the Period	11,484
(931)	Net Increase/(decrease) in Cash and Cash Equivalents	10,207
11,484	Cash and Cash Equivalents at the End of the Reporting Period	21,691

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 Creditors - Current

2019/20 Group Creditors £'000		2020/21 Group Creditors £'000
(674)	Central Government Bodies	(7,881)
(4,239)	Other Local Authorities	(244)
(747)	Council Tax Payers	(87)
(43)	Non Domestic Ratepayers	(66)
(6,136)	Other Entities and individuals	(4,991)
(11,839)	Total	(13,270)

Group Debtors - Current

2019/20 Group Debtors £'000		2020/21 Group Debtors £'000
1,778	Central government bodies	1,744
0	Other Local Authorities	1,001
595	Council Tax Payers	279
127	Non Domestic Rate Payers	150
3,808	Other Entities and individuals	3,681
6,308	Total Debtors	6,855

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:

2019/20 Group £'000		2020/21 Group £'000
(6,446)	Rental Income from Investment Property	(6,850)
515	Other Net Expenditure Arising from Investment Property	445
(5,931)	Net (Income)/Expenditure	(6,405)

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 2021 by the 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.

2019/20 Group £'000		2020/21 Group £'000
107,183	Balance at the Start of the Year	116,238
6,077	Purchases/Enhancements	124
0	Disposals	0
2,967	Net gains/(losses) from Fair Value Adjustments	(3,083)
11	Transfers to Assets Held For Sale/Other adjustments	0
116,238	Balance at the Year End	113,279

Group Related Parties

During 2020/21, the Council entered into the following related party transactions with EEPIC:

Transaction Description	2019/20 £'000	2020/21 £'000
<u>Amounts received by EEBBC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(111)	(118)
Dividend from EEPIC	(1,399)	(868)
Total	(3,319)	(2,795)

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 £1.45m in 2020/21, paying a dividend of £0.868m to the Council. EEPIC's property valuations decreased by £1.85m compared to 31 March 2020.

At 31 March 2021, four Council officers served as Directors of EEPIC – the Chief Executive, Chief Accountant, 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 Statement of Accounts by 30 November 2020.

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 – 2020/21

1.0 Introduction

- 1.1 This is the Council's Annual Governance Statement for 2020/21. It provides an opinion on the Council's governance arrangements, which includes a review of the effectiveness of the governance statement, and an update on the actions agreed in last year's statement. This statement includes the issues and action plan identified in 2020/21.
- 1.2 The Council adopted a Code of Corporate Governance which reflects the principles and is consistent with the CIPFA/SOLACE Framework, "Delivering Good Governance in Local Government" 2016. This framework requires that local authorities are responsible for ensuring that;
- Their business is conducted in accordance with all relevant laws and regulations.
 - Public money is safeguarded and properly accounted for.
 - Resources are used economically, efficiently and effectively to achieve priorities which benefit the local authority.
- 1.3 All Councils are required to produce an Annual Governance Statement (AGS) and review their governance arrangements at least once a year. The Accounts and Audit (Amendment) Regulations 2020 have amended the timing of the review and publication of the 2020/21 financial statements.
- 1.4 Covid 19 has had a significant impact on the delivery of council services and new arrangements that were implemented during 2020/21. The Council participated in the multi-agency response to the emergency as part of the Surrey Local Resilience Forum. The impact of the pandemic on governance has been identified in a separate section in this report.

2 Corporate Governance

- 2.1 Corporate governance is the process by which the Council directs, controls and is held to account. The Council's governance framework aims to ensure that in conducting its business it:
- Operates in a lawful, open, inclusive and transparent manner;
 - Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
 - Has effective arrangements for the management of risk and;
 - Secures continuous improvements in its governance

- 2.2 Strategy & Resources Committee approved the Council's Code of Corporate Governance on 4 April 2017. The Code is based on the seven new principles within the Chartered Institute of Public Finance (CIPFA)/ Society for Local Authority Chief Executives (SOLACE) Framework 2016. The Code summarises the Council's internal arrangements; each section looks at how the Council accounts for the principles. The Council acknowledges that it is responsible for ensuring that there is a sound system of governance and internal control compliant with its adopted principles within the local code. A high level summary is included in this document.

3 Compliance with the Principles

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

This is achieved by:

- 3.2 The Council's Constitution lays out compliance with legislation and includes;
- Codes of conduct which define our standards and behaviour and deals with Conflicts of interest
 - Whistleblowing procedures
 - Financial Regulations and Contract Standing Orders
 - Anti-Fraud and Corruption Strategy and the Anti-Bribery Policy
 - Rules relating to Members external interests
 - Rules relating to Gifts and Hospitality
 - Codes of Conduct for Members and Officers
 - Scheme of Delegation to officers
 - Information Security Policy
 - Information Governance Policy
 - Money Laundering Policy

- 3.3 The Monitoring Officer has specific responsibility for ensuring legality and investigating issues to ensure compliance with laws and regulations.

3.4 **PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement.**

This is achieved by:

- 3.5 Documenting a commitment to openness and acting in the public interest.
- 3.6 Establishing clear channels of communication with different sectors of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.7 Ensuring an effective scrutiny function is in place.

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

This is achieved by:

- 3.9 Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

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

This is achieved by:

- 3.11 Translating the vision into courses of action for the Council, its partnerships and collaborations.
- 3.12 Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robust data quality.
- 3.13 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they meet the agreed use of resources and value for money.

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

This achieved by:

- 3.15 Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.
- 3.16 Ensuring effective arrangements are in place for discharging the duties of the Head of Paid Service.
- 3.17 Providing induction and identifying the development needs of members and senior management.

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

This is achieved by:

- 3.19 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.
- 3.20 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on managing the risk of fraud and corruption (CIPFA 2015).
- 3.21 Independent review of the internal controls by Internal Audit when carrying out assessments of key activity areas.

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

This achieved by:

- 3.23 Ensuring that assurance arrangements conform to the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit (2010) and where they do not, explain why and how they deliver the same impact.
- 3.24 Undertaking the core functions of an audit committee, as defined in audit Committee, Practical Guidance for Local Authorities and Police (CIPFA 2013).
- 3.25 Ensuring that the Council provides timely support and information and responses to external auditors and properly considers audit findings and recommendations.

4. How do we know that our arrangements are working?

4.1 The Code of Corporate Governance requires assurance upon:

- Delivery of the Council's Corporate Plan and the Key Priorities
- Services delivered economically, efficiently and effectively
- Management of risk
- Financial planning and performances
- Effectiveness of internal controls
- Community engagement and public accountability
- Project management and project delivery
- Governance of shared services and alternative services delivery modules
- Procurement processes
- Roles and responsibilities of members and officers
- Standards of conduct and behaviour
- Training and development of members and officers
- Compliance with laws and regulations, internal policies and procedures
- Records keeping

4.2 Sources of Assurance

- Constitution and scheme of delegation
- Council Meetings and Full Council
- Council's Vision, Four Year Plan 2020 – 2024 Service delivery plans and action plans (including climate change)
- Performance Management Framework
- Risk Management Framework
- Project Management methodology
- Medium Term Financial Strategy and budget monitoring
- Complaints Policy
- HR Policies and procedures
- Whistleblowing policies
- Organizational Development Strategy
- Training for Members and Officers
- External Audit and Internal Audit

- Role of Head of Paid Service (Chief Executive), Section 151 Officer (Chief Finance Officer) and Monitoring Officer (Chief Legal Officer)
- Member Officer Protocol
- Role of Audit, Crime & Disorder and Scrutiny Committee.

4.3 Assurances Received and Review of Effectiveness

- 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 2020/21 is taken into account, and comments made by external audit and other external reviews.
- Performance and performance indicators are reviewed.
- We have made progress in implementing the action plan from 2019/20, as set-out in section 15.
- The Leadership Team assists with good governance in delivering key services and making corporate decisions and monitors performance.
- Key management roles are defined and are within the Leadership Team.
- The 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.

4.4 Opportunities to improve

This AGS builds upon previous AGS's. All the key governance mechanisms remain in place. This documents includes any changes to the key governance systems and an update of the significant governance arrangements in 2019/20.

5 The Council and how it functions

- 5.1 The Council is a committee authority where policies and decisions are determined and scrutinized.
- 5.2 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.
- 5.3 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.

- 5.4 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.
- 5.5 The Constitution sets out the roles and responsibilities and there is a terms of reference for each committee/body.
- 5.6 Meetings are open and all agenda papers, reports and decisions can be found on the Council's website and partnership risks are identified in committee reports. Details of all consultations and surveys are also available. The Council's budget and financial statements are available through the website. The website also highlights all completed and approaching public consultations.
- 5.7 The Chief Executive is the Head of Paid Service. During 2020 the role of Chief Operating Officer was replaced by the role of Director of Environment, Housing & Regeneration. These posts meet regularly and also are part of the Leadership Team.

6 Significant operational events in 2020/21

- 6.1 The Local Government Boundary commission for England has been undertaking an electoral review to recommend new ward boundaries. A draft submission for the consultation was submitted in March but the final outcome will be published in February 2022
- 6.2 In March 2021, the Local Government Association undertook a Finance Peer Review. This focused on five themes - Financial Leadership; Financial strategy, planning & forecasting; Decision-making; Financial outcomes; Partnership & Innovation. The review found that the Council had a strong prudent financial management but also highlighted some areas for consideration to strengthen the Council which have been developed into an agreed action plan. This includes a review of the approach to financial decision making and scrutiny.
- 6.3 During 2020/21, KPMG undertook a review of local government structure in Surrey. The review's concluding report - available on the Council's website [here](#) – recommended that Surrey Districts explore opportunities for collaboration with each other. The Council intends to explore any viable relevant opportunities that arise in the coming year and beyond.

7 Reflecting the challenges from Covid 19 – Impact on Governance

- 7.1 This section considers the impact of Covid and any conclusion on the adequacy of the governance arrangements in place.
- 7.2 There has been significant impact as a result of local and national restrictions, both in delivering new services and supporting residents and businesses and delivering

services as usual. All key services have remained available through a variety of channels. Our reception area was opened for a short period in November as regulations allowed, but most contact has been remotely

7.3 Changes and new areas of activity as part of the national response to coronavirus and any governance issues arising included;

- Delivery of virtual meetings after the MHCLG laid recommendations before parliament in April 2020 to provide flexible meetings between 4th April 2020 and 6th May 2021. These regulations enabled the Council to hold all meetings virtually. This was set up on a new app and a survey of members was undertaken to review the adequacy of arrangements.
- We have worked closely with the community and voluntary sector.
- Housed all rough sleepers through the “everyone in programme”.
- Provided Covid 19 regulatory advice to businesses through the Environmental Health Team, with pressures brought on traditional Environmental health work. This includes enforcement to protect the public and to ensure businesses are educated and supported to maintain standards.
- We have worked hard to ensure residents have been kept informed with dedicated webpages created and continually updated.
- We have also cascaded information through a range of channels, with regular staff and members briefings.
- The government published “Working safely during Coronavirus “on 11th May 2020. This created a significant amount of work to ensure buildings and services were subject to health and safety measures to be Covid Secure. To maintain essential services, the Council procured and supplied necessary PPE.
- Payments to residents who must self isolate have been processed through the government’s Test & Trace Scheme.

7.4 The Council created a Community Hub on 24 March 2020 which was stood down in June and then re-established to support the most vulnerable residents, with protocols and processes all documented. The data on clinically vulnerable was distributed to the Hub and had to be controlled and monitored.

7.5 The Council also put in place processes to pay grants to eligible businesses and self-isolation payments to residents. The first grants were announced in March 2020 and since then 10 further grants have been processed and paid by the Revenues and Benefits Team. In May, Local Restrictions Grants were introduced for some businesses that did not qualify for other grants. In addition, a series of business rate reliefs were introduced to further support businesses.

7.6 As a result of the pandemic, the Internal Audit Plan was updated to reflect the changes, new systems and processes, and to provide additional assurances over our arrangements. The delivery of the internal audit plan was impacted but has not affected the ability to provide a Head of Internal Audit’s year end opinion. All outstanding audits will be completed within quarter 1 in 21/22.

Funding of the Response

- 7.7 The financial impact for 2020/21 is significant although the council has received a number of government grants. The grants received and budget variances are monitored and have been reported to Strategy & Resources Committee during the year.
- 7.8 The provisional financial outturn and funding position for 2020/21 is due to be reported to Strategy & Resources in July 2021.

8 Managing Risks

- 8.1 All Members and officers are responsible for ensuring that the risk implications are considered and included when making decisions and planning services. To deliver services and key priorities the Council must manage its risks and opportunities.
- 8.2 Significant risks are recorded in the Leadership Risk Register which is managed and monitored. The Leadership Team reviews this every 6 months. The risk register is used to formulate the internal audit plan. The service risks are identified from the Divisional Assurance Statements completed by the Heads of Services. The Risk Management Framework is reviewed annually and was reported to the Audit, Crime & Disorder Committee in November. The Leadership Risk Register is currently being updated.
- 8.3 The Council's IT systems are regularly audited and the Council has an IT Security & Acceptable Use Policy and IT Information Assurance Policy.

9 Managing Fraud

- 9.1 The Council's Whistleblowing Policy is part of the Constitution which is available on the Council's website. The Council also has an Anti-Fraud and Anti-Corruption Strategy which supports the culture of honesty and opposing fraud and corruption. This strategy was last reviewed in 2019.
- 9.2 There has been an increased risk of fraud during 2020/21 due to Covid support grants for businesses. Checks have been put in place to check any fraudulent business transactions and regular updates and awareness bulletins received from the National Anti-Fraud Network.

10 Managing Resources

- 10.1 The Council continues to manage the effect of austerity measures and now Covid-19 through its Medium Term Financial Strategy and has introduced some new initiatives.

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

11 Responsibility of the Chief Finance Officer

- 11.1 The Chief Finance Officer is responsible for delivering and overseeing the financial management arrangements for the Council. He is part of the Council's Leadership Team and reports directly to the Chief Executive. These arrangements, both in design and in day to day practice, enable the financial aspects of material business decisions to be given due weight.
- 11.2 The Council maintains an effective system of financial control which is clearly set out within the Council's financial regulations and procedure rules. Control and oversight is facilitated by an effective internal audit function and underpinned by a strong culture of careful management of public money demonstrated by all managers. The effectiveness of the control environment can be evidenced through the Council's recent history of financial outturns and the timeliness and quality of the financial statements and other financial returns.
- 11.3 The Chief Finance Officer is the Council's S.151 Officer and in accordance with the statutory requirement has the relevant accountancy qualification and significant local government experience. In the opinion of the Chief Finance Officer, the Council's finance function is adequately resourced and contains a mix of staff with the appropriate levels of professional qualifications and experience.
- 11.4 The Chief Finance Officer is involved in the preparation of the Annual Governance Statement.

12 Managing Performance

- 12.1 The Council's performance management arrangements use a RAG system (red/amber/green). Targets are set annually based on the Council's Four Year Plan. The relevant Heads of Service and Committee Chairmen are consulted on proposed targets. The Audit, Crime & Disorder and Scrutiny Committee receives and reviews all key priority targets, although accountability rests with the relevant Head of Service. A report on performance against the 2020/21 year end priority targets identified that 63% of all targets were achieved. This was slightly lower than in previous years but 5 of the targets were only narrowly missed which would have increased overall performance to 72%.

13 Stakeholder Engagement & Partnership working

- 13.1 The Council has a two stage procedure for addressing complaints. This is clearly laid out in our procedure backed by the customer charter. For 2020 the Ombudsman reported that a total of 12 complaints were referred to the Ombudsman with none upheld. The data for 2021 is awaited.
- 13.2 Data is published on the website to meet the requirements of the Local Government Transparency Code - <https://www.epsom-ewell.gov.uk/council/about-council>. An audit undertaken in 2019/20 on information governance identified gaps and some of the recommendations have still to be implemented, principally due to a focus on the Covid-19 response. Officers are working to implement the recommendations in the current year.
- 13.3 The Southern Internal Audit Partnership who provide internal audit services has a key Stakeholder Board, in accordance with the Partnership Agreement and the Head of Policy, Performance & Governance sits on the Board.
- 13.4 Insurance cover for the council is provided in partnership with the London Borough of Sutton who regularly report on contract arrangements and provide an annual report
- 13.5 The Council agreed in July 2020 to establish a new Community Safety Partnership, the Epsom & Ewell CSP to improve how it serves the needs of Borough residents. The EECSP has set 4 key priorities.

14 Internal Audit and External Audit Assurance

- 14.1 Internal audit is a key element of the governance arrangements and provides an independent, risk based approach.
- 14.2 Internal Audit has been delivered by the Southern Internal Audit Partnership since 2019 (SIAP). SIAP was established in 2012 and is hosted by Hampshire County Council and is one of the largest providers of public sector internal audit in the region.
- 14.3 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. It confirmed that “SIAP conforms to the definition of Internal Auditing, the Code of Ethics and the standards”
- 14.4 In accordance with these practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor provides a written status report to the Leadership Team and the Audit, Crime & Disorder and Scrutiny Committee, summarising the status of ‘live’ internal audit reports; an update on progress against the annual audit plan; a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion. Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk,

management, control and governance designed to support the achievement of management objectives of the service area under review. A large part of the internal audit plan for 2020/21 has been delivered and includes adequate coverage of IT. The Head of Internal Audit's opinion is stated below;

Annual Internal Audit Opinion 2020-2021

"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 is '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."

- 14.5 The Audit, Crime & Disorder and Scrutiny Committee carries out the role of an Audit Committee as identified in CIPFA's "Audit Committees – Practical Guidance for local authorities". The Committee produces an Annual Report to Council which covers the work of internal audit. This Committee meets throughout the year and monitors specific areas of governance including performance management, risk management and internal audit; it receives the Head of Internal Audit's Year end opinion. As a Scrutiny Committee, it also conducts a number of specific reviews.
- 14.6 In 2020/21, the Committee met 3 times including one special meeting to approve the 19/20 Annual Governance Statement and reviewed progress against the audit plan, progress in implementing recommendations, and risk management arrangements. The Committee annually reviews how effective it has been in overseeing the arrangements in their annual report to Council.
- 14.7 External Audit is provided by Grant Thornton, who were appointed through Public Sector Audit Appointments Ltd (PSAA). The statutory accounts have been audited and Grant Thornton have issued an unqualified opinion and value for money assurance.

15 Issues from 2019/20

- 15.1 The implementation of the actions identified in 2019/20 have been monitored and reported in detail to the Audit, Crime & Disorder and Scrutiny Committee as part of the arrangements for approving the AGS.

Issues identified for 2019/20	Action taken to date
<p>The financial impact of Covid and further losses in future years depending on the outcome of the fair funding review and funding available.</p>	<p>The financial impact has been regularly reviewed and reported to Financial Policy Panel and Strategy & Resources Committee.</p> <p>The Chief Finance Officer equally reports to MHCLG on current impact.</p> <p>A register of all grants received is maintained.</p>
<p>Organizational capacity was significantly challenged whilst responding to the emergency and this will continue for a number of months.</p>	<p>The service delivery plan for 2019/20 was updated to reflect the impact of the pandemic.</p> <p>Capacity to support the further impact of the pandemic, a surge or other incidents is an ongoing challenge and is closely monitored.</p> <p>The Council is undertaking a restructure in 2021 to improve capacity and resilience</p>
<p>The updated Local Plan programme as agreed in June 2019 was delayed by Covid which delayed the Regulation 18 consultation.</p>	<p>A new timetable was agreed by the Licensing, Planning Policy Committee on 4 March 2021</p> <p>The deadline for the estimated date of adoption is December 2023.</p>
<p>Emergency response to Covid-19.</p>	<p>A report on lessons learnt from the Covid-19 pandemic went to the Audit, Crime & Disorder and Scrutiny Committee in April 2021.</p> <p>The major incident status in Surrey was stood down on 28th April 2021 and the Council worked with partners to support the emergency response.</p> <p>We continue to work with partners to deliver ongoing support requests as required.</p> <p>Internally the Emergency Plan has been reviewed and updated with the Emergency Assistance Centre Plan. Training is also being rolled out by Applied Resilience, the</p>

	Council's Emergency planning provider.
Review and strengthen compliance with policies, procedures and legislative requirements for procurement.	<p>This is an on-going area for improvement and captured in the 20/21 AGS.</p> <p>The contract register was updated to capture all contracts and will be regularly refreshed.</p> <p>The Contract Standing Orders are under review and will be reported to S&R in November with the updated Financial Regulations.</p>
Significant work has been undertaken on the health and safety framework in 19/20, but there is additional risks to be managed due to the impact of the Covid Secure requirements.	<p>Over 80 Covid Secure documents and risk assessments have been completed to ensure compliance and will be overseen by the Corporate Health & Safety Group.</p> <p>As more services return and officers return to work these arrangements will be reviewed and updated in line with government guidance.</p>
Due to Covid-19, the annual performance report against the 2019/20 key priority targets has not yet been finalized for Audit, Crime & Disorder and Scrutiny Committee.	The 2019/20 year-end performance report was presented to the Audit, Crime & Disorder and Scrutiny Committee in November 2020.
The new Corporate/Four Year Plan was published and then immediately impacted by Covid.	The Build Back Better Programme has been developed to promote the Council's priorities as confirmed by Strategy & Resources Committee on 16 th March 2021.
Due to Covid-19, the annual report from Audit, Crime & Disorder and Scrutiny Committee on the work of internal audit in 2019/20, has not yet been presented to Full Council.	The report was produced and presented to Full Council on 8 th December 2020.
The Council's Equality and Diversity Policies are in need of updating.	The Council's Equity, Inclusion and Diversity Policy was updated and consulted on. It was approved by the Strategy & Resources Committee on 30 th March 2021.

16 Conclusion and significant governance issues 2020/21

- 16.1 The Council is satisfied that the appropriate governance arrangements are in place, however it remains committed to maintaining and where required improving those areas. The key issues to be addressed in 2020/21 are listed below and these will be reviewed and monitored with a detailed action plan.

Issues identified for 2020/21	Action to be undertaken taken
<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>Budget monitoring and utilisation of government financial support schemes for Local Authorities.</p> <p>Delivery of existing MTFS planned service savings and new savings identified in January 2021.</p> <p>Strategic Asset Reviews undertaken in 2021/22.</p> <p>Production of new budget for 2022/23 to factor in updated income and expenditure levels following Covid-19.</p> <p>Implementation of the action plan from the Finance Peer Review</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 service delivery plan and annual plan need be flexible to reflect the recovery plans, new and adapted services and backlogs, and new demands created as a result of the pandemic These will be monitored and reviewed regularly.</p> <p>The Recovery Plan will be monitored and regularly updated by Senior Leadership Team.</p>
<p>The Organisational Development Strategy People Framework & HR Policies will need to be refreshed to reflect the changing environment and new ways of working.</p>	<p>These documents will be reviewed and updated to reflect the changing environment. This will be built into the HR Road Map.</p>
<p>The Council need to build upon the digital improvements and opportunities resulting from the</p>	<p>The ICT Road Map will be updated and developed to ensure digital progress.</p>

pandemic	
There are challenges in delivering effective data security management and this needs to be embedded at a senior level	A health check of the arrangements for data management should be undertaken and mandatory training provided

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 arrangements by senior officers and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed:

.....

Colin Keane, Chair of Strategy and Resources

Date: 21 September 2021

Signed:

.....

Kathryn Beldon, Chief Executive

Date: 21 September 2021

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

Report on the Audit of the Financial Statements

Opinion

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 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, 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 2020/21.

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 2021 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 2020/21; 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. 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 2020/21 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.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and investment properties

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and investment properties as at 31 March 2021. As, disclosed in note 4 to the financial statements, property valuations are not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards, except for Retail and specific trading related assets/sectors such as Car Parks. For these specific assets, a higher degree of caution should be attached to the valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, 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 of the group and Authority 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 this 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 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 the '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 matter 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 gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement 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 Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 86, 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 Financial Officer. The Chief Financial 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial 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 Financial Officer is responsible for assessing the group's and the Authority'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 will no longer be provided.

The Strategy and Resources 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 2020/21, 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 Strategy and Resources 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 Strategy and Resources 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 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. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.

- 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; and
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 2021.

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 2021.

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 April 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 2021 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.

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.

[Signature]

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

London

XX September 2021

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 £10,000.

Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.
Collection Fund	A fund administered by the Council as a 'billing authority'. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, 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	The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external

Provision	loans outstanding. The Council can set aside amounts in addition 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	A government body that provides loans to local authorities.
Revenue Expenditure	This is the routine day to day cost of providing the Council services. Under the <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.

This page is intentionally left blank

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Town Hall
The Parade
Epsom
Surrey
KT18 5BY
Tel (01372) 732211

September 2021

Dear Sirs

Epsom and Ewell Borough Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Epsom and Ewell Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent

- b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
- xv. Any other matters that the auditor may consider appropriate.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Strategy and Resources Committee at its meeting on 21 September 2021.

Yours faithfully

Signed:

Name: Lee Duffy

Position: Chief Finance Officer

Date: September 2021

Signed:

Name: Colin Keane

Position: Chair of Strategy & Resources Committee

Date: September 2021

Informing the audit risk assessment for Epsom & Ewell Borough Council 2020/21

Page 143

Agenda Item 4
Appendix 4

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Accounting Estimates	20
Accounting Estimates - General Enquiries of Management	21
Appendix A – Accounting Estimates	24

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Epsom & Ewell Borough Council's (EEBC) external auditors and the Strategy and Resources' Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Strategy and Resources' Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Strategy and Resources' Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Strategy and Resources' Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Strategy and Resources' Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Strategy and Resources' Audit Committee and supports the Strategy and Resources' Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from EEBC's management. The Strategy and Resources' Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	Covid-19 is the one key 'event' that will impact the 2020/21 financial statements differently compared to previous years. The Council has experienced reduced income from services, additional expenditure to deal with Covid (PPE, food etc), administered grants to business and individuals, and received government grant funding to mitigate losses.
2. Have you considered the appropriateness of the accounting policies adopted by EEBC? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	<p>Management considers that the accounting policies recommended by CIPFA's Code of Practice remain appropriate for EEBC for 2020/21.</p> <p>From 2021/22, IFRS 16 will impact the accounts and a separate impact assessment will be undertaken for that in advance of the 2021/22 closedown.</p>
3. Is there any use of financial instruments, including derivatives?	We do not use derivatives. The financial instruments used by the Council are unchanged in nature from those reported in the 2019/20 Statement of Accounts (Note 18).
4. Are you aware of any significant transaction outside the normal course of business?	Covid-19 has introduced new transactions, such as administering support grants to businesses and individuals. However these have been processed through the General Ledger in accordance with the normal course of business.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	Not at the current time. Our external valuers will assess all investment properties, and other non-current assets due for re-valuation. The external valuers will also provide a market commentary report, which will be used by accountants to determine whether any other assets need to be impaired or revalued.
6. Are you aware of any guarantee contracts?	Management are not aware of any guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	There are no significant insurance claims that could affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by EEBC during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>During the year the Council has utilised the following legal firms for the following matters:</p> <ul style="list-style-type: none"> • Trowers & Hamblins LLP – commercial matters • Anthony Collins Solicitors LLP – Monitoring Officer investigations, commercial advice • Cripps LLP – property matters • Loddors Solicitors LLP – highway advice • South London Legal Partnership - litigation matters, data protection, contracts • Tandridge Borough Council – property matters

Agenda Item 4
Appendix 4

General Enquiries of Management

Question	Management response
9. Have any of the EEBC service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No such reports have been received.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council subscribes to CIPFA's Better Governance Forum to receive regular bulletin/sector updates, but we didn't need to consult them on anything specific in the year. The Council is also a member of 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.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Strategy and Resources' Audit Committee and management. Management, with the oversight of the Strategy and Resources' Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Strategy and Resources' Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As EEBC's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Strategy and Resources' Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Strategy and Resources' Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Strategy and Resources' Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from EEBC's management.

Agenda Item 4
Appendix 4



Fraud risk assessment

Question	Management response
<p>1. Have EEBC assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Senior Management on Leadership Team submit annual 'Divisional Assurance Statements', which provides assurance that any frauds affecting the financial statements would be reported. Management considers that the financial statements are not materially misstated, either due to fraud or for any other reason, due to the process and controls set-out in the response to the next question.</p> <p>The Council ensures that it has in place appropriate internal controls to minimise the risk of fraud, including:</p> <ul style="list-style-type: none"> - Whistle blower policy - Segregation of duties - Internal audit to investigate any high risk fraud areas - Governance Group to review new procedures and update any old ones
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Council treats all transactions/accounts/disclosures as similarly at risk of fraud, and as such our internal controls apply to all financial transactions.</p> <p>We are not aware of any instances of fraud, or of any:</p> <ul style="list-style-type: none"> • - Accounts, classes of transactions, or disclosures where fraud risks were identified • - Accounts, classes of transactions, or disclosures where fraud risks are likely to exist

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within EEBC as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Council's policy to prevent fraud is approved by the Strategy & Resources Committee, prior to obtaining approval of full Council.</p> <p>Internal Audit provide regular reports to the Audit, Crime & Disorder and Scrutiny Committee, and any actual instances of fraud would be reported to this Committee.</p> <p>Management are not aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within EEBC as a whole or within specific departments since 1 April 2020.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within EEBC where fraud is more likely to occur?</p>	<p>There is no evidence of any fraud. Management has identified a number of risks relating to the Covid-19 Business Support Grants and fraudulent claims that we monitor through NAFN advice.</p>
<p>5. What processes does EEBC have in place to identify and respond to risks of fraud?</p>	<p>Senior Management on Leadership Team submit annual 'Divisional Assurance Statements', which provides assurance that any frauds affecting the financial statements would be reported. Management considers that the financial statements are not materially misstated, either due to fraud or for any other reason, due to the process and controls set-out in the response to the next question.</p> <p>The Council ensures that it has in place appropriate internal controls to minimise the risk of fraud, including:</p> <ul style="list-style-type: none"> - Whistle blower policy - Segregation of duties, - Internal audit to investigate any high risk fraud areas

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for EEBC, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Senior Management on Leadership Team submit annual 'Divisional Assurance Statements', which provides assurance that internal controls are operating effectively.</p> <p>Internal audit regularly test internal controls/procedures and provide assurance reports to management and Audit, Crim & Disorder & Scrutiny Committee. Any material findings must have a mitigating management action, which is then followed up by internal audit to ensure implementation.</p> <p>We are not aware of any areas where there is override or inappropriate influence over the financial reporting process.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>The Council has internal controls and procedures in place to ensure the risk of misreporting is low.</p> <p>Internal audit regularly test internal controls/procedures and provide assurance reports to management and Audit, Crim & Disorder & Scrutiny Committee. Any material findings must have a mitigating management action, which is then followed up by internal audit to ensure implementation.</p>

Agenda Item 4
Appendix 4

Fraud risk assessment

Question	Management response
<p>8. How does EEBC communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Messages are communicated to staff through:</p> <ul style="list-style-type: none"> • Staff Group meetings • Corporate Plans • Team meetings • Managers Huddles (subject to Covid) • Feedback at Leadership Teams • Internal Audit • Staff Update publications <p>The processes for contractors are set-out in the relevant contract.</p> <p>The above measures including the Council's Whistleblowing Policy ensure staff can report fraud without prejudice. Staff are expected to report full details of any known fraud.</p> <p>No significant issues have been reported in 2020/21.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any post involved in financial transactions is considered at risk of fraud or corruption.</p> <p>Risks are managed through having appropriate internal controls, including appropriate authorisation limits for staff and segregation of duties for all financial transactions.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>There are no known changes to the prior period in terms of our related parties.</p> <ul style="list-style-type: none"> - Senior Management (Leadership Team) are responsible for implementing the Council's policies. Leadership Team will be asked to declare any related party transactions for the 2020/21 accounts. - Elected Members have direct Control over the Council's strategy and policies. Members are asked to declare any related party transactions; which will be included in the 2020/21 accounts. - The Council has policies in place to ensure related party relationships and transactions must be

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Strategy and Resources' Audit Committee?</p> <p>How does the Strategy and Resources' Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Council's policy to prevent fraud is approved by the Strategy & Resources Committee, prior to obtaining approval of full Council.</p> <p>Internal Audit provide regular reports to the Audit, Crime & Disorder and Scrutiny Committee, and any actual instances of fraud would be reported to this Committee.</p> <p>Internal audit recommendations must have a mitigating management action. Internal audit follow-up to ensure all actions are implemented, with any outstanding actions reported to the Audit, Crime & Disorder and Scrutiny Committee.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, What has been your response?</p>	<p>Management are not aware of any.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>Management are not aware of any.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Strategy and Resources' Audit Committee, is responsible for ensuring that EEBC's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Strategy and Resources' Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does EEBC have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Senior Management on Leadership Team submit annual 'Divisional Assurance Statements', to provide assurance that laws and regulations have been complied with, and that the control environment is functioning effectively.</p> <p>The Council ensures that it has in place appropriate internal controls to minimise the risk of fraud and regulatory breaches, including:</p> <ul style="list-style-type: none"> - Whistle blower policy - Segregation of duties, - Internal audit to investigate any high risk fraud areas - Governance Group to review new procedures and update any old ones <p>Furthermore, all Committee reports and decisions must have the legal implications documented within the report. All reports are reviewed by a legal officer who adds comments on behalf of the Monitoring Officer.</p> <p>Regarding regulatory changes, the Accounts and Audit Regulations have been updated to amend the target dates for draft and audited accounts to 31 July and 30 September – the authority expects to comply with these new regulations. No other regulatory changes are expected to have a material impact on the financial statements.</p>
<p>2. How is the Strategy and Resources' Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>All Committee reports and decisions must have the legal implications documented within the report; all reports are signed off by the Monitoring Officer.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial</p>	<p>Management are not aware of any.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does EEBC have in place to identify, evaluate and account for litigation or claims?	Heads of Service must submit an annual Divisional Assurance Statement to disclose any litigation or claims, including sufficient details to enable the finance team to judge the appropriate accounting treatment.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	<p>In 2020, HMRC's Compliance team contacted all election authorities requesting information on the treatment of election expenses for the last four years.</p> <p>When officers investigated the treatment of VAT relating to election expenses since 2016 (the statutory period under investigation), it became clear that election invoices had been processed net of VAT, meaning VAT was not only recovered on election expense claims to the Cabinet Office (or other responsible body), but it had also been recovered on the Council's VAT return to HMRC. The effect of this was that the Council had recovered £50,903 VAT from both government offices.</p> <p>The Council has had to repay the £50,903 over-recovery to HMRC in 2020/21.</p> <p>HMRC issued a penalty of £7,635 for the error, suspended from 20 January to 19 February 2021. The suspension reflects that officers have worked co-operatively with HMRC and implemented internal controls to prevent future over-recovery. The suspension period has lapsed without incident, so the Council does not expect the penalty to become payable.</p>

Related Parties

Issue

Matters in relation to Related Parties

EEBC are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by EEBC;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in EEBC's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and EEBC Whether EEBC has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No known changes at the current time. Leadership Team and Members will be required to sign updated Related Party Declarations for the 2020/21 accounts – these will be provided during the final audit.</p>
<p>2. What controls does EEBC have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Council has a formal policy on Disclosable Pecuniary Interests</p> <p>Formal declarations for related party transactions are required annually from all Leadership Team officers and all Members.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Members/Officers with declared related party relationships are not involved in the decision making process for related party transactions.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All transactions are processed through the normal business procedures.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Strategy and Resources' Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Strategy and Resources' Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The main accounting estimates in the financial statements are disclosed in Note 4 to the Statement of Accounts. These are:</p> <ul style="list-style-type: none"> - Property Plant & Equipment accounting - Pension Fund Accounting - NNDR Appeals Provision - Bad Debt Provision <p>Through representation at Leadership Team and Committee meetings, Finance Team become aware of any significant transactions, events or conditions that would require accounting estimates.</p> <p>Senior Management on Leadership Team also submit annual 'Divisional Assurance Statements', which provides assurance that all material transactions, events and conditions, that affect the financial statements, have been captured.</p>
<p>2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>The Council uses independent and suitably qualified external experts where appropriate.</p> <p>The Council's finance team employs suitably CCAB-qualified accountants to follow CIPFA and IFRS accounting standards when making accounting estimates.</p>
<p>3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Management follows CIPFA's Code of Practice and the accounting standards to make the key accounting estimates.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Management follows standard sector practice by using RICS specialists for the valuation of its Property Plant and Equipment, and qualified actuaries for the estimation of the pension fund position.</p> <p>When specific technical accounting advice is required, the Council utilises Ichabods Industries for external advice.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The Council provides it RICS property valuers with an egagement letter, setting out the activities that are required. The external estimates/valuations are then reviewed by qualified Council officers, with any unusual or unexpected movements/valuations queried and explanations sought.</p> <p>As a member of the Surrey Pension Fund, Surrey County Council engages the actuary Hymans Robertson LLP to calculate the pension fund position on our behalf.</p> <p>Council officers then review the IAS Results Report for reasonableness of assumptions. Any unusual or unexpected movements/valuations are queried and explanations sought.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>As above, the Council provides it RICS property valuers with an egagement letter, which sets out the activities that are required. The external estimates/valuations are then reviewed by qualified Council officers, with any unusual or unexpected movements or valuations queried and explanations sought.</p> <p>As a member of the Surrey Pension Fund, Surrey County Council engages the actuary Hymans Robertson LLP to calculate the pension fund position on our behalf.</p> <p>Council officers then review the IAS Results Report for reasonableness of assumptions. Any unusual or unexpected movements/valuations are queried and explanations sought.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?</p>	<p>No. The main accounting estimates in the financial statements are disclosed in Note 4 to the Statement of Accounts. These are:</p> <ul style="list-style-type: none"> - Property Plant & Equipment accounting - Pension Fund Accounting - NNDR Appeals Provision - Bad Debt Provision
<p>11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?</p>	<p>Yes, our arrangements are reasonable and compliant with accounting standards and CIPFA's Code of Practice.</p>
<p>12. How is the Strategy and Resources' Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The Council's accounts are produced by appropriately qualified accountants and then certified by the CIPFA-qualified S151 Officer.</p> <p>Members can challenge officers on any aspect of the Statement of Accounts at the Strategy & Resources Committee meeting.</p> <p>Internal audit periodically review general and capital accounting arrangements, which provides further assurance.</p> <p>External audit review also provides assurance.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations Page 166	As set-out in the accounting policies in the Statement of Accounts - fair value for investment properties, current value or depreciated replacement cost for operational land and properties.	Qualified experts are used to undertake the estimates. Segregation of duties requires two officers to post valuation movements in the general ledger.	Yes – management have used RICS qualified firm Wilks, Head and Eve.	Note 4 of the Statement of Accounts discloses the degree of uncertainty and a high-level sensitivity analysis.	No
Depreciation	As set-out in our accounting policies - typically 50 years for buildings on a straight-line basis.	Qualified experts are used to assess the expected asset life, which is used as the basis for the depreciation estimate. Segregation of duties requires two officers to post depreciation movements in the general ledger.	Wilks, Head and Eve provide the valuations. In addition, officers in the finance team are qualified accountants i.e. experts. We use internal software called Real Asset	Note 4 of the Statement of Accounts discloses the degree of uncertainty and a high-level sensitivity analysis.	No

Agenda Item 4
Appendix 4

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
NNDR Appeals provision Page 103	In accordance with CIPFA's Code of Practice, provisions are calculated based on an estimate of the probable liability.	Management use information provided by the Valuation Office Agency to identify outstanding appeals submitted by businesses.	Management use information provided by the Valuation Office Agency.	Management use past appeal success rates to assist in projecting future appeal success rates.	No
Credit loss allowance	Debtors are assessed annually and for doubtful debts, an allowance is made for expected future credit losses, which factors in the age and recoverability of the debt.	Outstanding debtor balances are monitored through the debtors control account.	Officers in the finance team are qualified accountants i.e. experts.	The estimate is based on expected future credit losses on outstanding debts. A sensitivity analysis is included within Note 4 of the Statement of Accounts.	No
Fair value of loans	CIPFA's Code of Practice sets out the fair value valuation hierarchy that we follow to increase consistency and comparability in fair value measurements and related disclosures.	External, independent experts are used to undertake the estimates.	Link Asset Services provide the estimates.	Benchmark market discount rates - factoring in latest economic conditions - are used to ensure the most reasonable estimate of fair value is produced.	No

Agenda Item 4
Appendix 4



Chair of Strategy & Resources Committee
The Parade,
Epsom,
KT18 5BY

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG
T +44 (0)20 7383 5100
F +44 (0)20 7184 4301

21 September 2021

Dear Sir

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 21 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Paul Cuttle

Director

This page is intentionally left blank