

To: All Members of the Audit and Scrutiny Committee

Dear Councillor,

**AUDIT AND SCRUTINY COMMITTEE - THURSDAY, 5TH FEBRUARY, 2026 , Council
Chamber - Epsom Town Hall,
<https://www.youtube.com/@epsomandewellBC/playlists>**

Please find attached the following document(s) for the meeting of the Audit and Scrutiny Committee to be held on Thursday, 5th February, 2026.

**4. CALL-IN OF THE DECISION OF THE COMMUNITY AND WELLBEING
COMMITTEE MADE ON 13 JANUARY 2026 (ITEM 04) REGARDING THE
OPTIONS FOR THE FUTURE OF BOURNE HALL MUSEUM (Pages 3 - 10)**

This report invites the Audit and Scrutiny Committee to consider the call-in of a decision made by the Community and Wellbeing Committee, under Agenda Item No 4 "Options for the Future of the Museum" at its meeting on 13th January 2026. The call-in has been made in accordance with the procedures set out in Annex 4.6 – Overview, Audit and Scrutiny (including Call-in Procedure and Councillor Calls for Action) of the council's Operating Framework.

7. EXTERNAL AUDIT UPDATE (Pages 11 - 122)

This report presents the 2024/25 Statement of Accounts, Grant Thornton's Audit Findings Report, letter of representation and the Auditor's Annual Report following the external audit.

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

Yours sincerely



Chief Executive

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Minutes of the Meeting of the COMMUNITY AND WELLBEING COMMITTEE held at the Council Chamber, Epsom Town Hall on 13 January 2026

PRESENT -

Councillor Clive Woodbridge (Chair); Councillor Bernice Froud (Vice-Chair); Councillors Rob Geleit, Rachel King, Bernie Muir and Phil Neale (as nominated substitute for Councillor Humphrey Reynolds)

Absent: Councillor Graham Jones, Councillor Humphrey Reynolds and Councillor Kim Spickett

Officers present: Rod Brown (Head of Housing and Community), Rachel Epton (Community Development Manager), Linda Scott (Interim Assistant Head of Service - Venues), Susan Dalloe (Bourne Hall Museum Curator), Sue Emmons (Chief Accountant), Richard Appiah-Ampofo (Senior Accountant) and Dan Clackson (Democratic Services Officer)

21 QUESTIONS AND STATEMENTS FROM THE PUBLIC

No questions or statements from members of the public were received.

22 DECLARATIONS OF INTEREST

Voluntary Sector Funding 2026-2027

Councillor Phil Neale, Other Interest: Councillor Phil Neale declared that he was a member of the Citizens Advice Management Committee as a representative of the Council and did not take part in the debate or voting for this agenda item.

23 MINUTES OF THE PREVIOUS MEETING

The Committee confirmed as a true record the Minutes of the Meeting of the Committee held on 19 November 2025 and authorised the Chair to sign them.

24 OPTIONS FOR THE FUTURE OF THE MUSEUM

The Committee received a report presenting an appraisal of three strategic options for the future of Bourne Hall museum, drawing on findings from the Bourne Hall museum service review and the culture peer challenge report.

The Committee considered the following matters:

- a) **Cultural Peer Review.** In response to comments from Members, the Chair stated that the general messaging and outcomes from the Cultural Peer Challenge ('CPC') had been captured effectively within the report and its appendices. He read out the recommendations from the CPC, which were noted by the Committee, and stated that the full CPC would be shared with Members following the meeting.
- b) **Communicating with Local Schools.** The Committee considered that the Museum could benefit from working and communicating closely with local universities, colleges and schools. It was suggested that the Museum could liaise with local schools with respect to the subjects they will be covering over the coming year, and for a fee could put on educational events for the students in relation to those subjects.
- c) **Marketing and Promotion.** The Committee considered that the Museum could benefit from increased/improved signposting and marketing. The Museum Curator stated that there had been a recent effort to boost marketing of the museum on social media, and that museum exhibitions and events were promoted in 'What's On In Epsom' and other newsletters. She stated that the museum did not currently have an established marketing plan and explained that conversations with Communications were ongoing regarding the development of one.
- d) **Preference for Option 2.** The Committee expressed their view that the Museum was a valuable asset to the Borough and expressed a preference for Option 2 of the report (to invest in improvement of the Museum), and conversely expressed an aversion to Option 3 (to close the Museum).

Following consideration, Councillor Bernice Froud proposed that the wording to recommendation (1) b) of the report should be amended as follows (proposed amendment underlined):

(1) b) Option 2: Invest in improvement of the Museum (should option 2 be agreed a funding request will go to Strategy and Resources Committee March 2026 for consideration). In the event that Strategy and Resources Committee do not approve said funding, instead do nothing and carry on with business as usual.

Councillor Bernie Muir seconded the proposal. The Committee voted unanimously in favour of the amendment.

Subsequently, the Committee unanimously resolved to:

- (1) **Option 2: Invest in improvement of the Museum (should option 2 be agreed a funding request will go to Strategy and Resources Committee March 2026 for consideration). In the event that Strategy and Resources Committee do not approve said funding, instead do nothing and carry on with business as usual.**

25 VOLUNTARY SECTOR FUNDING 2026-2027

The Committee received a report considering the continued support of voluntary sector organisations and setting out the proposed funding arrangements for 2026/2027. The report also considered the impact of Local Government Reorganisation and presented a funding proposal for the financial year 2027/2028.

Further to his declaration of interest, Councillor Phil Neale did not participate in the Committee's debate on this item.

The Committee considered the following matters:

- a) **Implications for Council in the Event of Reduced Funding.** In response to a question from a Member, the Community Development Manager advised that, should the Committee decide to reduce funding for the Voluntary organisations, there would likely be a resulting increased pressure on Council services. The Chair stated that it would be very challenging to define an accurate financial breakdown of the effect this would have on the Council owing to too many variables and unknowns.
- b) **Funding Arrangements Following Demise of Epsom & Ewell.** The Committee considered that it could not commit to any funding for the voluntary organisations beyond 2026/27, owing to the forthcoming demise of Epsom & Ewell Borough Council as part of Local Government Reorganisation, and noted that funding arrangements for the 2027/28 period would ultimately be for the new Unitary Authority to decide. It was noted however that, should the Committee agree to the funding arrangements for 2027/28 as set out in option 2 of the report, it would provide a Committee-supported decision for the new Unitary to consider when agreeing their arrangements.
- c) **Voluntary Services Expertise.** The Committee considered the important work carried out by the Voluntary Services and the valuable experience and expertise of the people who work for them.

Prior to voting, Councillor Phil Neale withdrew from the meeting room.

Following consideration, Councillor Bernie Muir proposed that the Committee go to a vote on recommendation 1 b) of the report, for Option 2. The proposal was seconded by Councillor Rachel King.

Subsequently, the Committee unanimously resolved to:

- (1) Agree to the financial support of the voluntary sector organisations as detailed in Option 2 (section 3.9 of the report).**

Councillor Phil Neale returned to the room following the conclusion of this agenda item.

26 END POVERTY PLEDGE

The Committee received a report considering whether to recommend to Full Council that the council makes the End Poverty Pledge (EPP) and agrees supporting the general statement and associated commitments.

The Committee considered the following matters:

- a) **Real Living Wage for Council Staff.** In response to a question from a Member, the Chief Accountant confirmed that the Real Living Wage would be implemented for all Council Staff from 1 April 2026, including agency staff.
- b) **Venues as Community Hubs.** In response to a question from a member, the Head of Housing and Community stated that the report had a particular focus on Bourne Hall, owing to its importance and accessibility as a community hub. He stated that, should the Council agree to sign the pledge, there may be opportunity down the line to explore how other venues, such as the Playhouse, could be made more accessible to those living in poverty.

Following consideration, the Committee unanimously resolved to:

- (1) **Recommend to Full Council to sign the End Poverty Pledge, including agreeing the general statement and specific commitments set out in section 4 of the report.**
- (2) **Recommend to Full Council to nominate and authorise the Chief Executive to sign the Poverty Pledge on behalf of the council.**

27 FEES AND CHARGES 2026/27

The Committee received a report recommending fees and charges for which the Committee is responsible, with the new charges being effective from 1 April 2026.

The Committee considered the following matters:

- a) **Antisocial Behaviour in Vicinity of Wellbeing Centre.** The Committee noted that bookings for the Wellbeing Centre had seen a decrease in relation to antisocial behaviour in the Centre's vicinity and considered the importance of this matter being addressed. The Head of Housing and Community stated that the matter was known to the Police and was a point of focus for them.

Following consideration, the Committee unanimously resolved to:

- (1) **Agree the fees and charges for the Community and Wellbeing Committee for 2026/27.**

28 CAPITAL PROGRAMME 2026/27

The Committee received a report summarising the proposed 2026/27 capital programme and a provisional programme for 2027/28 to 2030/31. The Committee's approval is sought for the programme to be submitted to Council in February 2026.

The Committee considered the following matters:

- a) **Lift at Bourne Hall.** In response to a question from a Member, the Chief Accountant confirmed that the proposed works to the lift at Bourne Hall were in relation to replacement of the lift's controls in order to remain legally compliant. There was a suggestion from the Committee that events requiring large equipment were currently unable to be held at Bourne Hall owing to the size of the lift, and that the venue could benefit from increased revenue by upsizing the lift. It was advised that increasing the size of the lift would likely be greatly challenging, if not impossible, owing to the structure of the building. The Chair stated that he would discuss the matter with the Senior Surveyor and Head of Venues for guidance on the matter.

Following consideration, it was resolved:

- (1) **Submit the capital programme for 2026/27 as identified in section 3.1 of the report to Full Council for approval on 10 February 2026;**
- (2) **Submit the additional schemes identified in section 3.4 of the report to Full Council for approval on 10 February 2026 assuming funding is identified;**
- (3) **Note the provisional forecast of schemes for the capital programme for 2027/28 to 2030/31;**
- (4) **Note that schemes subject to external funding from Disabled Facilities Grants will only proceed once funding has been received.**

29 REVENUE BUDGET 2026/27

The Committee received a report setting out estimates for income and expenditure on services in 2026/27.

The Committee considered the following matters:

- a) **Cost of Homelessness.** The Committee considered that homelessness in the Borough remained a high expense for the Council. The Head of Housing and Community stated, following the introduction of the Renters Reform Act and the abolishment of s.21 evictions, it was forecast that there would be a significant reduction in people presenting as homeless. The Chief Accountant stated that the s.151 Officer had been working to

put contingencies in place to account for unforeseen financial challenges that might arise in relation to homelessness.

- b) **Verbal Update from the Chief Accountant.** The Chief Accountant provided the Committee with a verbal update in respect of the Community & Wellbeing Budget to be recommended to Full Council on 10 February 2026. In accompaniment to her verbal update, she provided to Members a supplementary document (subsequently published as a supplement to the agenda item) setting out the information in print. The update set out the following:

Grant funding for Rough Sleeping had been mistakenly double counted in the 2026/27 budget for Community & Wellbeing Committee as detailed within the Draft Budget Book 2026/27 and the Committee papers for the meeting on 13 January 2026. This error had arisen because for 2026/27 the government had rolled it into the Homelessness Prevention Grant, so it had mistakenly been included within that grant figure as well.

To ensure the correct budget figures were considered at Full Council on 10 February 2026, the double counted grant figure of £42,790 had been removed from the Committee budget. No expenditure budgets had changed. The impact was that the budget for the Housing service, and for C&W committee overall, had increased by £42,790.

The table from 4.2 of the Revenue Budget report had been provided within the supplementary document with an additional column showing how the removal of the grant affected the Community & Wellbeing Committee budget for 2026/27.

Members were asked to consider recommending the revised base position to Full Council in February 2026 (as detailed within the table included within the supplementary document). The only changes were to the Housing service and the overall total for the Committee. This change to the budget would be offset by a reduction in the corporate contingency held within Strategy & Resources committee.

The update from the Chief Accountant was noted by the Committee.

Following consideration, Councillor Bernice Froud proposed that the recommendation be amended as follows:

- 1) *Recommend the 2026/27 service estimates, as amended by the Chief Accountant verbally at the meeting, for approval at the budget meeting of Full Council in February 2026.*

The proposal was seconded by Councillor Rob Geleit. The Committee voted unanimously in favour of the amendment.

Subsequently, the Committee unanimously resolved to:

- (1) Recommend the 2026/27 service estimates, as amended by the Chief Accountant verbally at the meeting, for approval at the budget meeting of Full Council in February 2026.**

The meeting began at 7.30 pm and ended at 9.10 pm

COUNCILLOR CLIVE WOODBRIDGE (CHAIR)

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Statement of Accounts

2024/25

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Certificate of the Chief Finance Officer

I certify that the Statement of Accounts, set out on the following pages 4 to 85, presents a true and fair view of the financial position of the Council at 31 March 2025 and of its income and expenditure for the year ended 31 March 2025.



Cagdas Canbolat

Director of Corporate Resources (S151 Officer)

06 February 2026

Narrative Report

1. Introduction

Welcome to Epsom and Ewell Borough Council's Statement of Accounts for 2024/25, which reports the Council's financial performance during the year.

Epsom and Ewell Borough Council (EEBC) sits within Surrey and provides a wide range of services to residents and businesses, including waste & recycling, planning, parking, environmental health, housing and economic development.

During 2024/25 the Council's full range of services were delivered by four budgets, these are:

1. Policy Committees – Environment,
2. Community & Wellbeing
3. Licensing & Planning Policy
4. Strategy & Resources

EEBC has a Corporate Plan, which is also available on the Council's website. The plan identifies six key themes for the Borough:

1. Green & Vibrant
2. Safe & Well,
3. Opportunity & Prosperity,
4. Smart & Connected,
5. Cultural & Creative, and
6. Effective Council.

The local elections planned for 2025/26 in Surrey were postponed following local government reorganisation but it has prepared accounts on a going concern basis with business as usual which ensures value for money services through good governance arrangements.

The Council's governance arrangements are set out in the Annual Governance Statement, which is appended to the Statement of Accounts.

The Council's key performance indicators are reported to Audit and Scrutiny Committee and are publicly available through the Council website.

2. Financial Performance

The Council's financial performance is summarised by the table below:

2023/24	Committee	2024/25		
Outturn £'000		Budget £'000	Outturn £'000	Variance £'000
(1,361)	Strategy and Resources	(1,447)	(1,892)	(445)
5,588	Environment	4,894	4,995	102
5,983	Community & Wellbeing	6,117	6,718	601
871	Licensing & Planning Policy	1,282	1,267	(15)
11,081	SUB-TOTAL	10,846	11,088	242
(2,669)	Capital Charges	(1,941)	(1,941)	0
(8,290)	External Funding	(8,905)	(8,905)	0
121	SUB-TOTAL GENERAL FUND	(0)	242	242
121	TOTAL (met by contribution (to)/from General Fund reserve)	(0)	242	242

The Council's outturn position resulted in a £242k contribution from the General Fund balance at year-end.

The Council achieved collection rates of 99.0% for council tax and 99.3% 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.

3. Reserves

The Council's General Fund balance stands at £2.755m at 31 March 2025 (£2.997m prior year). Usable reserve balances are summarised by the following table; a full breakdown is shown in the notes to the Statement of Accounts.

Usable Reserves	2024/25 Opening Balance £'000	2024/25 Movement £'000	2024/25 Closing Balance £'000
General Fund Balance	(2,997)	242	(2,755)
Strategic Earmarked Reserves	(22,462)	2,726	(19,736)
Sub-Total Revenue Reserves	(25,459)	2,968	(22,490)
Community Infrastructure Levy	(9,800)	(3)	(9,803)
Capital Receipts Reserve	(3,808)	346	(3,462)
Total Usable Reserves	(39,067)	3,311	(35,755)

The Council had a policy of maintaining a minimum, prudent General Fund balance of £2.5m to provide for unforeseen requirements in 2024/25.

4. Capital Expenditure

This section summarises the capital outturn position for 2024/25. It details actual capital expenditure and receipts against capital budgets and financing. The core capital programme does not include investments made through the property acquisition funds. The figures will be externally audited over the autumn.

2023/24	Core Capital Programme Expenditure	2024/25		
Outturn		Current Budget	Outturn	Variance
£'000		£'000	£'000	£'000
302	Strategy & Resources	1,222	681	(541)
274	Environment	1,096	819	(277)
1,673	Community & Wellbeing	5,047	3,616	(1,431)
0	Licensing & Planning Policy	0	0	0
2,249	Total	7,365	5,116	(2,249)

The main variances are as a result of schemes slipping into later financial years: Fairview Road temporary accommodation (£425k); Bourne Hall windows replacement (£349k); Disabled Facilities Grant works (£297k); ICT Programme of Works (£278k); the CRM and Data Warehouse project (£262k); Alexander Recreation Dojo (£170k); and two schemes at the Wellbeing Centre (£120k).

The capital outturn position is reported to Strategy & Resources Committee on 15 July 2025.

In addition to the core capital programme, £50k was spent on the CIL 15% Neighbourhood Scheme, £200k on new vehicles on a finance lease and £645k of right of use assets was recognised on the balance sheet. These right of use assets consist of 13 privately owned residential properties that the Council leases on a 3-5 year term to house residents requiring temporary accommodation.

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

2023/24 £'000		2024/25 £'000
	<u>Expenditure</u>	
2,249	Core Programme	5,116
126	Vehicle Finance Lease	200
0	Right of use assets	645
65	CIL Neighbourhood Scheme	50
43	Horton Chapel	0
2,483	Total Expenditure	6,011
	<u>Funding</u>	
132	Capital Reserves	476
1,079	Government Grants	2,361
557	Revenue	1,292
0	Grants from Other Local Authorities	101
397	Section 106 Receipts	117
192	S106/Community Infrastructure Levy Receipts	819
2,357	Subtotal Capital Funding	5,166
126	Vehicle Finance Lease - to be financed in future years	200
0	Right of use assets - to be financed in future years	645
2,483	Total	6,011

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.

The Council received one capital receipt of £130k in 2024/25 (£nil in 2023/24). The balance of the Council's usable capital reserves at 31 March 2025 is £3.46m (compared to £3.81m at 31 March 2024), of which £1.58m is committed to funding capital projects during 2025/26.

5. Pension Liability (see note 32)

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. Since 31 March 2024, there has been a £15.66m favourable movement in the net asset/liability valuation, resulting in a net asset of £18.01m at 31 March 2025. The favourable movement is principally due to strong investment returns and interest income from plan assets. 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.

In calculating the net pensions asset, the Council has made a judgement that the statutory framework for setting employer's contributions under its pension schemes constitutes a minimum funding requirement. This limits the Council's ability to realise the full economic benefits through reductions in future employer's contributions. Accounting standards IAS 19 paragraph 64 and IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement' require a net

pension asset to be recognised up to the level of the asset ceiling. This is calculated by the actuary based upon discount rates and a number of forecasts such as salary estimates and employer contributions to the pension fund.

The net pension asset has been adjusted to reflect the valuations provided by the actuaries which incorporate the asset ceiling, creating a net liability on the balance sheet. Further explanation can be found in Note 32 of the Accounts.

Although the IAS19 pension asset/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 determining future contributions into the pension scheme.

6. Investments and Borrowings

The annual treasury management strategy, which was approved by Councillors in February 2024, is available on the Council's website.

At 31 March 2025, 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 £15.0m in short term investments at year end (£15.0m at 31 March 2024); in addition to £4.8m invested in money market funds at 31 March 2025 (prior year £8.2m). During 2024/25, the Council generated £3.4m of interest income (£3.5m in 2023/24) and received £0.62m dividend income (£0.615m in 2023/24).

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 2025 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 2023/24).

7. 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 £49.4m at 31 March 2025 (prior year £51.2m). The property portfolio remained unchanged during 2024/25, with the company delivering a net £747k benefit, excluding transfers to/from earmarked reserves, to the Council's general fund in the year (net £750k benefit in 2023/24). The assets, liabilities, reserves, income and expenditure figures for the company have been consolidated into group accounts.

8. Future and Economic Outlook

Districts budgets have been squeezed harder than other council types since 2010. Between 2010-11 and 2025-26 Core Spending Power (CSP) for districts fell by 23.1% in real terms

compared to a 10.4% fall for English councils as a whole. As we prepare for a fair funding review we expect major changes in local government where district councils will be the biggest losers in terms of funding and we need to plan ahead with this in mind.

Therefore income from other sources is crucial to ensure we continue to meet our responsibilities. However, income from council tax, business rates and fees and charges – such as from car parks, Council venues, and planning fees – is dependent on the ability of individuals and businesses to pay. These income streams will all be impacted in some way by economic changes 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.

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 (report available on the Council's website) requires the delivery of annual savings to achieve a balanced revenue budget over the period. The Council continues to monitor and review its future financial plans accordingly.

9. Statement of Accounts

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

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

The Statement of Accounts is designed to meet statutory government and accounting standards, which can make it a complex, technical document in places.

Further Information

Additional information about the accounts is available from Cagdas Canbolat (Director of Corporate Services (S151)), at Epsom and Ewell Borough Council, Town Hall, The Parade, Epsom, Surrey KT18 5BY. email:- ccanbolat@epsom-ewell.gov.uk.

Comprehensive Income and Expenditure Statement for year ended 31 March 2025

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.

2023/24			Committee	2024/25		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
12,132	(6,993)	5,139	Environment	11,598	(7,532)	4,066
12,347	(6,237)	6,110	Community & Wellbeing	13,637	(7,139)	6,497
19,720	(16,477)	3,243	Strategy and Resources	20,422	(16,260)	4,163
2,310	(1,186)	1,124	Licensing & Planning Policy	3,118	(1,964)	1,153
46,510	(30,894)	15,616	Cost of Services	48,775	(32,895)	15,879
0	0	0	Other Operating Expenditure (Note 11)	0	(130)	(130)
4,357	(11,923)	(7,566)	Financing and investment Income and Expenditure (Note 12)	2,248	(7,259)	(5,011)
0	(11,425)	(11,425)	Taxation and non-specific grant income and expenditure (Note 13)	0	(11,245)	(11,245)
50,867	(54,242)	(3,375)	(Surplus) or Deficit on Provision of Services	51,022	(51,529)	(506)
		(500)	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(11,472)
		(7,490)	Remeasurement of net defined benefit liability/(asset) (Note 32)			9,970
		(7,990)	Other Comprehensive (Income) and Expenditure			(1,502)
		(11,365)	Total Comprehensive (Income) and Expenditure			(2,008)

Movement in Reserves Statement for the year ended 31 March 2025

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	
2024/25	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2024	(25,460)	(3,808)	(9,800)	(39,067)	(46,149)	(73,088)	844	(2,347)	(120,740)	(159,807)
Movement in Reserves										
Total Comprehensive Income and Expenditure	(506)	0	0	(506)	(11,472)	0	0	9,970	(1,502)	(2,008)
Adjustments between accounting basis and funding under regulations (Note 9)	3,475	346	(3)	3,818	0	(2,708)	(388)	(723)	(3,818)	0
(Increase) or Decrease	2,969	346	(3)	3,312	(11,472)	(2,708)	(388)	9,247	(5,320)	(2,008)
Balance at 31 March 2025 carried forward	(22,491)	(3,461)	(9,803)	(35,755)	(57,620)	(75,796)	456	6,900	(126,060)	(161,815)
General Fund analysed over:										
Amounts earmarked (Note 10)	(19,736)									
Amounts uncommitted	(2,755)									
Total	(22,491)									
2023/24	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 01 April 2023	(27,790)	(3,940)	(9,296)	(41,025)	(45,649)	(68,800)	1,633	5,400	(107,418)	(148,442)
Movement in Reserves										
Total Comprehensive Income and Expenditure	(3,375)	0	0	(3,375)	(500)	0	0	(7,490)	(7,990)	(11,365)
Adjustments between accounting basis and funding under regulations (Note 9)	5,704	132	(504)	5,332	0	(4,288)	(788)	(257)	(5,332)	0
(Increase) or Decrease	2,330	132	(504)	1,958	(500)	(4,288)	(788)	(7,747)	(13,322)	(11,365)
Balance at 31 March 2024 carried forward	(25,460)	(3,808)	(9,800)	(39,067)	(46,149)	(73,088)	844	(2,347)	(120,740)	(159,807)
General Fund analysed over:										
Amounts earmarked (Note 10)	(22,463)									
Amounts uncommitted	(2,997)									
Total	(25,460)									

Balance Sheet as at 31 March 2025

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. The Right of Use Assets are included in the Property, Plant and Equipment line.

2023/24 £'000		Note	2024/25 £'000
	Long-term Assets		
79,874	Property, Plant and Equipment	15	93,678
64,147	Investment Properties	16	63,617
722	Heritage Assets		722
366	Intangible Assets	17	375
24,117	Long Term Investments	18	24,117
37,030	Long Term Debtors	19	37,618
2,347	Defined Benefit Pension Asset	32	0
38	Surplus Assets	15	39
208,642	Total Long-term Assets		220,166
	Current Assets		
91	Inventories		112
4,329	Short-term Debtors	19	5,118
15,000	Short-term Investments	18	15,000
8,497	Cash and Cash Equivalents	20	5,162
27,917	Total Current Assets		25,391
	Current Liabilities		
(7,288)	Short-term Creditors	21	(7,661)
(250)	Short-term Provisions	22	(413)
(456)	Lease Liability - Within One year	31	(743)
(7,994)	Total Current liabilities		(8,816)
	Long-term Liabilities		
(64,427)	Long Term Borrowing	18	(64,427)
0	Defined Benefit Pension Liability	32	(6,900)
(3,129)	Grants Receipts in Advance	14	(2,580)
(81)	Long-term Provisions	22	(0)
(1,121)	Lease Liability - Over One year	31	(1,019)
(68,757)	Total Long-term Liabilities		(74,925)
159,807	NET ASSETS		161,815
	Total Reserves		
(39,067)	Usable Reserves	23	(35,755)
(120,740)	Unusable Reserves	23	(126,060)
(159,807)	TOTAL RESERVES		(161,815)

Cash Flow Statement as at 31 March 2025

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.

2023/24			2024/25
£'000		Note	£'000
(3,375)	Net (Surplus) or Deficit on the Provision of Services	CIES	(506)
4,812	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	24	(227)
544	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	24	693
1,980	Net cash flows from Operating Activities		(40)
(4,569)	Net cash outflow / (inflow) from Investing Activities	25	2,612
2,392	Net cash outflow / (inflow) from Financing Activities	26	763
(197)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period		3,335
8,299	Cash and Cash Equivalents at the Beginning of the Period		8,497
197	Net Increase/(decrease) in Cash and Cash Equivalents		(3,335)
8,497	Cash and Cash Equivalents at the End of the Reporting Period	20	5,162

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 2024/25 financial year and its position at the year-end of 31 March 2025. 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 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future. The going concern assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies, with limits on their revenue-raising powers arising only at the discretion of central government.

In producing the financial statements the Council makes an assessment of the materiality of transactions and balances when applying its accounting policies. The Council has a de-minimis level of £50,000 when recognising capital assets and provisions for liabilities to be disclosed within the financial statements. Exception to this rule is employee untaken leave which has not been accrued due to the amount being immaterial to the accounts and the year on year difference not being material.

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

3. 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 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.

4. 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 assets or 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.

- Assets and liabilities are discounted to their value at current prices, using a discount rate of 4.8% (derived from a “Hymans Robertson” corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.
- The assets of Surrey Pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities - current bid price;
 - Unquoted securities - professional estimate;
 - Unitised securities - current bid price; and
 - Property - market value.

The change in the net pensions asset/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.
7. Changes in effect of asset ceiling – an increase in the pensions liabilities recognised by the Council to reflect the current commitment to pay employer’s contributions to recover a deficit in the Pension Fund that has been assessed as greater than the net pensions liability established under Accounting Code requirements.

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. Any 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.

5. 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.

6. 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 (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing

and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

7. 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.

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 amortisable 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.

8. 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.

9. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market 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 £50,000. 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.

10. Leases

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

The Authority as Lessee

The Council has previously classified leases as Operating or Finance leases, based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset, to the Council. The Council has adopted IFRS16 (Leases) with effect from 1 April 2024. Where the Council is the lessee, all leases are being considered as finance leases and recorded

on the Balance Sheet with the exception of low value or short-term leases. A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The adoption of the new standard resulted in the balance sheet recognition of a Right of Use Asset and related lease liability in relation to existing operating leases. The Authority has elected to apply recognition exemptions to low value assets (below £10,000 when new). A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease.

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.

The Authority as Lessor

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

11. 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.

12. Property, Plant and Equipment

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

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic

benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council operates a de-minimis level of £50,000 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, typically from 4 to 39 years.

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.

13. 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.

14. Heritage Assets

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

Recognition: The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. 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.

15. 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.

16. Contingent Assets/Liabilities

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

17. Reserves

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

18. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

19. 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.

20. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The funds' key features relevant to accounting for council tax in the core Statement of Accounts are:

- In its capacity as a billing authority an authority acts as an agent. The Council collects and distributes council tax income on behalf of the major preceptors (Surrey County Council and Surrey Police) and itself. Also, the Council collects and distributes NDR on behalf of the major preceptors (Surrey County Council, itself and central government).
- While the council tax and NDR income for the year credited to the Comprehensive Income and Expenditure Statement and Collection Fund is the accrued income for the year,

regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the Council. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the Council's share of any surplus or deficit on the Collection Fund for the previous year. This amount may be more or less than the accrued income for the year in accordance with code, although In practice the difference would usually be small.

- The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

21. 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.

22. 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.

23. 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

The Council is required to disclose information setting out the impact of an accounting standard that has been issued but not yet adopted by the Code.

As at the balance sheet date, the following new accounting standards and amendments had not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code):

- Adaptions and interpretations to IAS 16 Property, Plant and Equipment:

Currently, an asset is revalued when its current value differs materially from its carrying amount. From the 1st April 2025, the 'Code' will introduce a fixed maximum period of five years between valuations, subject to annual impairment reviews and indexation in the intervening period. There will be no requirement for a reset at 1 April 2025, and valuations made before that date will remain valid until they reach their fifth anniversary. As no indices to support this amendment will be available until Spring 2026, it is impossible to project the impact of the change.

- IFRS 17 Insurance Contract – No impact on the Council's accounting arrangements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability) – The Council does not enter into transactions in foreign currencies. Therefore, the amendment does not apply.

The above standard updates will have insignificant impact or limited application to Local Authority accounting.

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:

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. A judgment has been made to hold the investment at cost on the balance sheet as a cashflow analysis has been undertaken that supports this approach.

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 2025 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 £93.7m (Note 15)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets and valuation assumptions, including estimates of remaining useful life.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
	Despite elements of uncertainty at the reporting date, relating to the ongoing situation in Ukraine; changes to the UK and EU relationship; and the Israel and Palestine conflict, Wilks, Head and Eve state that property markets are functioning, 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. Property valuations are based upon a number of assumptions around market rates and rent reversions. Uncertainty around these assumptions could also impact estimated values in the accounts.	A 1% movement in the net book value of all PPE would result in a movement in the balance sheet of £937k.
Investment Properties £63.6m (Note 16)	The Council's investment properties have been independently valued by Wilks, Head and Eve. Despite elements of uncertainty at the reporting date, relating to the ongoing situation in Ukraine; changes to the UK and EU relationship; and the Israel and Palestine conflict, Wilks, Head and Eve state that property markets are functioning, 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. Property valuations are based upon a number of assumptions around market rates and rent reversions. Uncertainty around these assumptions could also impact estimated	

	values in the accounts.	
Pension Liability £6.9m (Note 32)	Estimation of the net asset/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

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

Note 6: Events after the Balance Sheet Date

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.

2023/24				Committee	2024/25			
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
5,588	964	(1,413)	5,139	Environment	4,995	88	(1,017)	4,066
5,983	303	(176)	6,110	Community & Wellbeing	6,718	(1,541)	1,320	6,497
(1,361)	(926)	5,530	3,243	Strategy & Resources	(1,892)	(589)	6,645	4,163
871	18	235	1,124	Licensing & Planning Policy	1,267	(90)	(24)	1,153
11,081	359	4,177	15,616	Net Cost of Services	11,088	(2,132)	6,923	15,879
(10,959)	(6,062)	(1,970)	(18,992)	Other Income and Expenditure	(10,846)	(1,343)	(4,196)	(16,386)
121	(5,704)	2,207	(3,375)	(Surplus) or Deficit	242	(3,475)	2,727	(506)
(2,997)				Opening General Fund balance	(2,997)			
121				(Surplus) or Deficit	242			
(2,997)				Closing General Fund balance	(2,755)			

Note to the Expenditure & Funding Analysis 2024/25

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	4,995	141	(53)	0	88	(1,017)	4,066
Community & Wellbeing	6,718	(1,511)	(30)	0	(1,541)	1,320	6,497
Strategy & Resources	(1,892)	(572)	(17)	0	(589)	6,645	4,163
Licensing & Planning Policy	1,267	0	(90)	0	(90)	(24)	1,153
Net Cost of Services	11,088	(1,943)	(189)	0	(2,132)	6,923	15,879
Other Income and Expenditure	(10,846)	(422)	(534)	(388)	(1,343)	(4,196)	(16,386)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	242	(2,364)	(723)	(388)	(3,475)	2,727	(506)
	£'000						
Opening General Fund at 1 April 2024 (Surplus)/Deficit	(2,997)						
Closing General Fund balance at 31 March 2025	<u>242</u>						
	<u>(2,755)</u>						

Note to the Expenditure & Funding Analysis 2023/24

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	5,588	950	13	0	964	(1,413)	5,139
Community & Wellbeing	5,983	306	(2)	0	303	(176)	6,110
Strategy & Resources	(1,361)	(933)	7	0	(926)	5,530	3,243
Licensing & Planning Policy	871	0	18	0	18	235	1,124
Net Cost of Services	11,081	323	36	0	359	4,177	15,616
Other Income and Expenditure	(10,959)	(4,983)	(291)	(788)	(6,062)	(1,970)	(18,992)
Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services	121	(4,660)	(255)	(788)	(5,704)	2,207	(3,375)
	£'000						
Opening General Fund at 1 April 2023 (Surplus)/Deficit	(3,118)						
Closing General Fund balance at 31 March 2024	<u>121</u>						
	<u>(2,997)</u>						

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:

2023/24 £'000	Expenditure/Income	2024/25 £'000
	Expenditure	
14,323	Employee benefits expenses	15,507
32,010	Other services expenses	31,982
(542)	Support Services recharges	(578)
2,461	Depreciation, amortisation, impairment, & revaluation	1,809
2,023	Interest payments	1,711
592	Precepts and Levies	593
0	Movement in Investment Properties	0
50,867	Total Expenditure	51,022
	Income	
(16,980)	Fees, charges and other service income	(18,040)
(4,278)	Interest and investment income	(4,134)
(9,808)	Income from council tax, non-domestic rates (business rates) and associated S31 grants	(9,498)
(18,890)	Government grants and contributions	(20,256)
(4,286)	Movement in Investment Properties	530
0	Disposal of assets	(130)
(54,242)	Total Income	(51,529)
(3,375)	(Surplus) or Deficit on the Provision of Services	(506)

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.

2024-25	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	(1,705)	0	0	1,705
Revaluation losses on Property Plant and Equipment	91	0	0	(91)
Reversal of movements in the market value of Investment Properties	(530)	0	0	530
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)	0	0	1
Amortisation of intangible assets	(195)	0	0	195
Revenue expenditure funded from capital under statute	(1,860)	0	0	1,860
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,741	0	0	(1,741)
Capital expenditure charged against General Fund balances	2,095	0	0	(2,095)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	822	0	(822)	0
Application of grants to capital financing transferred to the CAA	1,776	0	819	(2,595)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	130	(130)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	476	0	(476)
Other transfers				
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,879)	0	0	1,879
Employer's pensions contributions and direct payments to pensioners payable in the year	2,602	0	0	(2,602)
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	(42)	0	0	42
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	430	0	0	(430)
Total Adjustments	3,475	346	(3)	(3,818)

2023-24	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	(1,619)	0	0	1,619
Revaluation losses on Property Plant and Equipment	(975)	0	0	975
Reversal of movements in the market value of Investment Properties	4,286	0	0	(4,286)
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	323	0	0	(323)
Amortisation of intangible assets	(190)	0	0	190
Revenue expenditure funded from capital under statute	(1,324)	0	0	1,324
<u>Insertion of items not debited or credited to the CIES</u>				
Statutory provision for the financing of capital investment	1,472	0	0	(1,472)
Capital expenditure charged against General Fund balances	557	0	0	(557)
Adjustments primarily involving Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the CIES	696	0	(696)	0
Application of grants to capital financing transferred to the CAA	1,433	0	192	(1,625)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure	0	132	0	(132)
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,268)	0	0	2,268
Employer's pensions contributions and direct payments to pensioners payable in the year	2,525	0	0	(2,525)
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	8	0	0	(8)
Amount by which NDR income credited to the CIES differs from NDR income calculated in accordance with statutory requirements	780	0	0	(780)
Total Adjustments	5,704	132	(504)	(5,332)

Note 10: Movements in Usable Reserves

	Balance at 31 March 2023 £'000	Transfers		Balance at 31 March 2024 £'000	Transfers		Balance at 31 March 2025 £'000
		In	Out		In	Out	
		£'000	£'000		£'000	£'000	
General Fund	(3,118)	0	121	(2,997)	0	242	(2,755)
Strategic Reserves							
Insurance	(434)	0	0	(434)	(20)	34	(420)
Repairs and Renewals	(533)	(157)	94	(596)	(168)	78	(686)
Interest Equalisation	0	(784)	0	(784)	(150)	0	(934)
VAT Reserve	(206)	0	0	(206)	0	0	(206)
Place Development Reserve	(681)	(153)	62	(772)	(70)	252	(590)
Property Maintenance	(650)	(138)	273	(515)	0	139	(376)
Commuted Sums	(1,439)	0	0	(1,439)	0	0	(1,439)
Corporate Projects Reserve	(4,148)	(434)	454	(4,128)	(1,053)	1,343	(3,838)
Community Safety	(140)	0	24	(116)	0	12	(104)
Local Partnership Fund	(28)	0	0	(28)	0	0	(28)
Prevention, Personalisation & Partnership Fund	(111)	(14)	0	(125)	0	32	(93)
Collection Fund Equalisation	(4,002)	(912)	1,090	(3,824)	(899)	1,474	(3,250)
Residential Property Acquisition Fund	(977)	0	0	(977)	0	977	0
Property Income Equalisation	(9,881)	(588)	3,245	(7,224)	(170)	700	(6,694)
HIA Hardship fund	(124)	0	0	(124)	0	0	(124)
Sports & Leisure Development	(142)	(47)	66	(123)	0	2	(121)
Housing/Homelessness Support Grants	(1,033)	(71)	194	(910)	(59)	260	(708)
Basic Payments Scheme	(142)	0	6	(136)	0	12	(124)
Subtotal Strategic Reserves	(24,671)	(3,298)	5,508	(22,462)	(2,589)	5,315	(19,735)
Community Infrastructure Levy	(9,296)	(794)	290	(9,800)	(925)	922	(9,803)
Capital Receipts Reserves	(3,940)	0	132	(3,808)	(130)	476	(3,462)
Total Usable Reserves	(41,025)	(4,092)	6,051	(39,067)	(3,644)	6,955	(35,755)

Note 11: Other Operating Expenditure in CIES

2023/24 £'000		2024/25 £'000
0	(Gains) /Losses on the Disposal of Non-Current Assets	(130)
0	Total	(130)

Note 12: Financing and Investment Income and Expenditure in CIES

2023/24 £'000		2024/25 £'000
1,778	Interest Payable and Similar Charges	1,838
245	Net Interest on the Net Defined Benefit Liability	(127)
(4,286)	Movement in Investment Property Valuations	530
(1,025)	Investment Property Rentals Trading Account	(3,117)
(3,525)	Interest Receivable and Similar Income	(3,365)
(754)	Other Income from Subsidiary	(769)
(7,566)	Total	(5,011)

The change in Investment Property Rentals Trading Account of £3,117k in 2024/25, up £2,092k compared with 2023/24, is attributable to an additional £295k of rental income in 2024/25, and costs of £1.8m in 2023/24 relating to the change of tenant for an investment property, which included the transfer of a £1.5m dilapidations sum.

Note 13: Taxation and Non Specific Grant Income in CIES

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

2023/24 £'000		2024/25 £'000
(7,397)	Council Tax Income	(7,652)
(2,411)	Non Domestic Rates & S31 Relief Grants	(1,846)
(135)	New Homes Bonus Grant	(498)
(333)	Unringfenced Revenue Support Grants	(207)
(1,148)	Capital Grants and Contributions	(1,041)
(11,425)	Total	(11,245)

Further grants credited to services are detailed in Note 14 below.

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:

2023/24 £'000		2024/25 £'000
(39)	Council Tax Support Admin Grant	(5)
(128)	Benefits Admin Grant	(130)
(14,691)	Rent Allowances & Rebates - Housing Benefit Subsidy	(14,321)
(34)	Elections	(438)
(162)	Personal Services	(209)
(1)	Highways and parking	(2)
(163)	Venues	(290)
(1,314)	Housing, Homelessness & Rough Sleepers (including refugee funding)	(1,451)
(324)	New Burden & Support Grants	(203)
(235)	Place Development Grants	(837)
(33)	Youth Hub	0
(1,079)	Disabled Facilities Grant	(1,410)
0	Community Safety	0
(218)	Other Smaller Grants	(255)
(18,422)	Total	(19,551)

Grants and Contributions Receipts in advance

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

2023/24 £'000		2024/25 £'000
(3,129)	Other grants and Section 106 Contributions	(2,580)
(3,129)	Total	(2,580)

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 2024/25 account for £49.6 million (excluding investment property valuations) of the gross book value of assets at 31 March 2025.

Despite elements of uncertainty at the reporting date, relating to the ongoing situation in Ukraine; changes to the UK and EU relationship; and the Israel and Palestine conflict, Wilks, Head and Eve state that property markets are functioning, 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.

Infrastructure, community assets and assets under construction are held at historical cost and have not been formally re-valued. Properties are also revalued to take into account any potential impairment in their value and also consequently upon construction and the completion of any material improvements.

Depreciation

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

- Other Land and Buildings – 5 to 50 years
- Vehicles, plant and equipment – 4 to 39 years
- Infrastructure Assets – 4 to 50 years
- Right of use assets – 2 to 4 years

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2024/25

Property, Plant Equipment & Surplus Assets	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Totals
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1 April 2024	67,448	9,923	1,817	5,430	4,953	38	89,609
Additions	1,659	745	0	0	899	0	3,303
Right of Use Assets (ROU)	645	0	0	0	0		645
Revaluation Movement Recognised in the Revaluation Reserve	9,074	949	0	0	0	2	10,025
Derecognition - Disposals	0	(175)	0	0	0	0	(175)
Assets Reclassified	667	0	530	0	(1,197)	0	0
Gross Book Carrying Value at 31 March 2025	79,493	11,441	2,346	5,430	4,656	40	103,406
Accumulated Impairment & Depreciation as at 1 April 2024	(5,436)	(3,221)	(97)	(942)	0	0	(9,697)
Depreciation Charge for the Year	(858)	(738)	(47)	0	0	0	(1,644)
Depreciation Charge - ROU	(61)	0	0	0	0	0	(61)
Depreciation written out to the Surplus/Deficit on the Provision of Service	50	273	0	0	0	0	323
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	90	0	0	0	0	0	90
Derecognition - disposals	0	175	0	0	0	0	175
Depreciation Written out to the Revaluation Reserve	1,124	0	0	0	0	0	1,124
Accumulated Impairment & Depreciation as at 31 March 2025	(5,091)	(3,511)	(144)	(942)	0	0	(9,689)
TOTAL NET CARRYING BOOK VALUE at 31 March 2025	74,402	7,929	2,202	4,488	4,656	40	93,717

Movements on Non Current Assets – Property, Plant & Equipment & Surplus Assets 2023/24

Property, Plant Equipment & Surplus Assets	Other Land and Buildings	Vehicle Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Totals
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Carrying Value as at 1 April 2023	67,348	9,534	1,734	5,430	357	38	84,441
Additions	0	505	125	0	372	0	1,002
Revaluation Movement Recognised in the Revaluation Reserve	100	0	0	0	0	0	100
Derecognition - Disposals	0	(221)	(42)	0	0	0	(263)
Assets Reclassified	0	105	0	0	4,224	0	4,329
Other Movements	0	0	0	0	0	0	0
Gross Book Carrying Value at 31 March 2024	67,448	9,923	1,817	5,430	4,953	38	89,609
Accumulated Impairment & Depreciation as at 1 April 2023	(4,305)	(2,746)	(96)	(942)	0	0	(8,089)
Depreciation Charge for the Year	(880)	(696)	(43)	0	0	0	(1,619)
Depreciation written out to the Surplus/Deficit on the Provision of Service	230	0	0	0	0	0	230
Impairment (Losses) / Reversals Recognised in the Surplus/Deficit on the Provision of Service	(651)	0	0	0	0	0	(651)
Derecognition - disposals	0	221	42	0	0	0	263
Depreciation Written out to the Revaluation Reserve	170	0	0	0	0	0	170
Accumulated Impairment & Depreciation as at 31 March 2024	(5,436)	(3,221)	(97)	(942)	0	0	(9,697)
TOTAL NET CARRYING BOOK VALUE at 31 March 2024	62,012	6,702	1,720	4,488	4,953	38	79,912

Capital Expenditure

Capital expenditure and revenue expenditure funded from capital under statute (REFCUS) of £6.01m was incurred in 2024/25 as follows:

2023/24 £'000		2024/25 £'000
1,001	Non Current Assets - PPE	3,948
115	Intangibles	203
1,324	Revenue Expenditure Funded from Capital Under Statute	1,860
2,440	Total Capital Expenditure	6,011

Funding of capital expenditure is detailed below:

2023/24 £'000		2024/25 £'000
132	Capital Reserves	476
1,079	Government Grants	1,410
557	Revenue	458
354	Section 106 Receipts	117
192	Community Infrastructure Levy Receipts	819
0	External Grants	1,052
0	Residential Property Reserve	834
2,314	Subtotal Capital Funding	5,166
126	Vehicle Finance Lease - to be financed in future years	200
0	Right of use assets - to be financed in future years	645
2,440	Total	6,011

A net contribution of £458k (£557k contribution in 2023/24) was set aside from revenue to finance capital expenditure in 2024/25.

Capital Commitments

The estimated commitments for capital expenditure for schemes that had started, or legal contracts entered into by 31 March 2025 amounts to £560k as detailed below.

2023/24 £'000		2024/25 £'000
228	Replacement of CRM and Data Warehouse	211
426	Replacement of EEBC Street Lamps	0
69	Poole Road Roof Replacement	0
0	Bourne Hall Window Replacement	349
723	Total Capital Commitments	560

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 three years. In 2019/20, the Council engaged a new property valuing firm, Wilks, Head & Eve, following a competitive procurement exercise. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The timing and amounts of the valuations of those classes of asset held at current value are summarised in the following table, which shows the value of those operational land and building assets formally valued in each financial year. Approximately two thirds of the portfolio by value was valued at 31 March 2025 (approximately one third at 31 March 2024):

Valued at fair value as at:	31 March 2022 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2025 £'000
Operational Assets				
Land and Buildings	21,462	41,939	20,917	49,570

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:

2023/24		2024/25
£'000		£'000
(3,359)	Rental Income from Investment Property	(3,655)
2,334	Other Net Expenditure Arising from Investment Property	537
(1,025)	Net (Income)/Expenditure	(3,118)

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 portfolio has been valued as at 31 March 2025 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. The Council's investment portfolio includes 7 low value assets which were not revalued this year as they are 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.

Despite global events such as the ongoing situation in Ukraine; changes to the UK and EU relationship; and the Israel and Palestine conflict, at the reporting date, Wilks, Head and Eve state that property markets are functioning, with transaction volumes and other relevant evidence at

levels where an adequate quantum of market evidence exists upon which to base opinions of value. The property valuations are therefore not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation Global Standards. The following table summarises the movement in the fair value of investment properties over the year.

2023/24 £'000		2024/25 £'000
64,190	Balance at the Start of the Year	64,147
4,286	Net gains/(losses) from Fair Value Adjustments	(530)
(4,329)	Transfers to/from Assets Held For Sale/Other adjustments	0
64,147	Balance at the Year End	63,617

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:

2023/24 £'000		2024/25 £'000
	Balance at the start of the year	
1,015	Gross Carrying Amounts	875
(573)	Accumulated Amortisation	(509)
442	Net Carrying Amount at the Start of the Year	366
115	Additions	203
(254)	Disposals	(97)
254	Amortisation written out on disposal	97
(190)	Amortisation for the Period	(195)
366	Net Carrying Value at the End of the Year	374

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:

2023/24			2024/25	
Non-Current £'000	Current £'000		Non-Current £'000	Current £'000
		Financial Assets - Loans and Investments		
60,293	15,000	Loans and Investments (Amortised Cost)	60,293	15,000
0	8,200	Loans and Investments (FVPL)	0	4,800
0	297	Cash at Bank	0	362
60,293	23,497	Total Loans and Investments	60,293	20,162
		Financial Assets - Debtors		
0	1,397	Trade Debtors (Amortised Cost)	0	1,371
0	6	Other Debtors (Amortised Cost)	0	6
0	1,402	Total included in Debtors	0	1,377
		Financial Liabilities - Borrowings		
(64,427)	0	Borrowings (Amortised Cost)	(64,427)	0
(64,427)	0	Total included in Borrowings	(64,427)	0
		Other Financial Liabilities		
(1,121)	(456)	Finance Lease (Amortised Cost)	(1,019)	(743)
(1,121)	(456)	Total included Other Financial Liabilities	(1,019)	(743)
		Financial Liabilities - Creditors		
0	(1,505)	Creditors (Amortised Cost)	0	(1,904)
0	(1,505)	Total included in Creditors	0	(1,904)

Material Soft Loans made by the Council

The Council has no material soft loans outstanding at 31 March 2025 (2023/24 was £nil).

Unquoted Equity Instruments Measured at Cost

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

Whilst the audited net assets of the subsidiary company at 31 March 2025 were £15.8m, the asset is held on the Council's balance sheet at the original investment value of £24.1m. The Council has performed a cashflow analysis of the company to demonstrate that no impairment has taken place.

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:

2023/24				2024/25		
Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000		Financial Liabilities - Borrowings £'000	Financial Assets - Loans and Investments £'000	Total £'000
141	0	141	Interest expense - finance leases	200	0	200
1,625	0	1,625	Interest expense - borrowings	1,625	0	1,625
1,766	0	1,766	Total expense in Surplus or Deficit on the Provision of Services	1,825	0	1,825
0	(1,705)	(1,705)	Interest Income - treasury investments	0	(1,544)	(1,544)
0	(1,809)	(1,809)	Interest Income - loans to subsidiary	0	(1,809)	(1,809)
0	(3,513)	(3,513)	Total Income in Surplus or Deficit on the Provision of Services	0	(3,353)	(3,353)
1,766	(3,513)	(1,747)	Net (Income)/Expenditure for the Year	1,825	(3,353)	(1,528)

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 are detailed below.

Financial Asset Category	Counterparty	Investment at 31 March 2024	Investment at 31 March 2025
Cash Equivalents - Fair Value Through Profit & Loss			
Deposits with Money Market Funds	Goldman Sachs	-	£0
	Deutsche	£3.2m	£0
	RBS	-	£0
	UBS	-	£0
	State Street	£5.0m	£4.8m
Total Cash Equivalents		£8.2m	£4.8m
Short Term Investments - Amortised Cost			
Fixed Term Deposits with building societies, banks and other Local Authorities	Standard Chartered	£5.0m	
	Goldman Sachs	£5.0m	
	Lloyds	£5.0m	£5.0m
	Bayerische Landesbank	-	£5.0m
	Fife Council	-	£5.0m
Total Short Term Investments		£15.0m	£15.0m

The Authority's maximum exposure to credit risk in relation to its investments is £19.8m. 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 2025	Historical experience of default	Historical experience adjusted for market conditions at 31-Mar-25	Estimated maximum exposure to default and un- collectability at 31 March 2025	Historical experience adjusted for market conditions at 31-Mar-24	Estimated maximum exposure at 31-Mar-24
	£'000	%	%	£'000	%	£'000
	A	B	C	(A x C)	C	
<u>Money Market Funds</u>						
State Street	4,800	0	0	0	0	0
<u>Fixed Term Deposits</u>						
Lloyds	5,000	0	0	0	0	0
Bayerische Landesbank	5,000	0	0	0	0	0
Fife Council	5,000	0	0	0	0	0
<u>Other</u>						
Customers	1,341	3.76%	19.61%	263	18.60%	269

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

The Council does not generally allow credit for customers, but of the £1.34m balance the overdue amount can be analysed by age as follows:

31-Mar-24		31-Mar-25
£'000		£'000
188	Less than three months	654
784	Over three months	687
972	Total	1,341

To reflect the latest profile of aged debtors, the bad debt provision has increased by a net £4k, from £259k at 31 March 2024 to £263k at 31 March 2025.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures, as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need and the PWLB and the Money Markets for access to longer term funds. The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. **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 2025, 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	150
Increase in interest receivable on fixed rate investments	150
Impact on Surplus or Deficit on the Provision of Services	300

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 2024/25 compared to 2023/24.

The Council uses external advisors to help manage the majority of its cash backed reserves. 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. The majority of this relates to EEPIC which is highly illiquid based on the continuing existence of the company.

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-24			31-Mar-25	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Assets		
36,176	36,176	Loans to Subsidiary (Amortised Cost)	36,176	36,176
854	854	Lease debtor (Amortised Cost)*	1,442	1,442
15,000	15,000	Other Investments (Amortised Cost)	15,000	15,000
8,200	8,200	Other Investments (FVPL)	4,800	4,800
297	297	Cash at Bank	362	362
1,397	1,397	Trade Debtors (Amortised Cost)	1,371	1,371
61,924	61,924	Total Financial Assets	59,150	59,150

* The balance for 2023/24 has been restated as this sum was missing from last year's accounts.

Financial Liabilities

31-Mar-24			31-Mar-25	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
		Financial Liabilities held at amortised cost		
64,427	38,202	PWLB Loans	64,427	34,104
1,577	1,577	Finance Lease Liabilities	1,761	1,761
1,505	1,505	Creditors	1,904	1,904
67,509	41,284	Total Financial Liabilities	68,092	37,769

The Council's PWLB loans have been fair-valued by MUFG Corporate Markets, using Level 2 inputs based on new loan rates. Finance lease liabilities and short-term creditors are carried at contracted amounts, fair value is not materially different.

Note 19: Debtors

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

Gross Debtors 2023/24 £'000	Bad Debt Provision 2023/24 £'000	Net Debtors 2023/24 £'000		Gross Debtors 2024/25 £'000	Bad Debt Provision 2024/25 £'000	Net Debtors 2024/25 £'000
767	0	767	Central government bodies	2,059		2,059
8	0	8	Other Local Authorities	123		123
362	(106)	256	Council Tax Payers	255	(92)	163
256	(51)	205	Non Domestic Rate Payers	245	(28)	217
4,699	(1,606)	3,093	Other Entities and individuals	4,026	(1,472)	2,555
6,092	(1,763)	4,329	Total Debtors	6,709	(1,591)	5,118

Long term debtors (greater than 365 days):

2023/24 £'000		2024/25 £'000
854	Lease Debtors	1,442
36,176	Loans to Subsidiary	36,176
37,030	Total	37,618

The £36.176m loan to subsidiary began in 2018 and has a term of 50 years. The loan shall be repaid in a single instalment on the final repayment date.

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.

2023/24 £'000		2024/25 £'000
297	Cash at Bank	362
8,200	Cash Equivalents	4,800
8,497	Cash and Cash Equivalents	5,162

Note 21: Creditors

A summary of creditors is detailed below.

2023/24		2024/25
£'000		£'000
(1,797)	Central Government Bodies	(957)
(1,467)	Other Local Authorities	(1,742)
(113)	Council Tax Payers	(117)
(281)	Non Domestic Ratepayers	(324)
(3,629)	Other Entities and individuals	(4,521)
(7,288)	Total	(7,661)

Note 22: Provisions

A summary of provisions is detailed below.

	Short Term Provision	Long Term Provision
	£'000	£'000
2023/24		
Opening balance at 1 April 2023	(250)	(1,338)
Net additional provision made in year	0	1,257
Balance at 31 March 2024	(250)	(81)
2024/25		
Net additional provision during year	(163)	81
Balance at 31 March 2025	(413)	(0)

The Council had one short term provision of £0.25m at 1 April 2024, reflecting an estimate of the potential financial impact that may arise from an ongoing Health & Safety Executive investigation into an incident that occurred in December 2021 involving a waste collection vehicle. A further provision has been made in year of £163k to offset housing benefits payments that are unable to be reclaimed in subsidy.

The Council had one long term provision of £81k at 1 April 2024, for its share of appeals against NDR (Business Rates) charges. The provision has been reduced to under £1k due to the reduction in appeals indicated by the valuation office.

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 2023/24 £'000	Net Movement in year £'000	Balance 2024/25 £'000	Purpose of Reserve	Further Detail of Movements
General Fund	(2,997)	242	(2,755)	Resources available to meet future running costs for non-housing services	Movement in Reserve Statement (Note 10)
Strategic Reserves	(22,463)	2,726	(19,736)	Earmarked resources to provide funding for specific areas	Movement in Reserve Statement (Note 10)
Capital Grants Unapplied Account (CIL)	(9,800)	(3)	(9,803)	Community Infrastructure Levy used to fund investment in infrastructure.	Movement in Reserve Statement (Note 10)
Capital Receipts Reserve	(3,808)	346	(3,461)	Proceeds of Non Current Asset sales available to meet future capital investment	Detailed in this note below
Total Usable Reserves	(39,067)	3,311	(35,755)		
Revaluation Reserve	(46,149)	(11,472)	(57,621)	Store of gains on revaluation of non current assets not yet realised through sales	Detailed in this note below
Capital Adjustments Account	(73,088)	(2,708)	(75,796)	Store of capital resources set aside to meet past expenditure	Detailed in this note below
Council Tax Adjustment Account	(60)	42	(18)	Balance held on collection fund and NNDR AC	Detailed in this note below
NNDR Adj Account	904	(430)	474	Balance held on collection fund and NNDR AC	Detailed in this note below
Pensions Reserve	(2,347)	9,247	6,900	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet.	Note 32
Total Unusable Reserves	(120,740)	(5,320)	(126,060)		
Total Reserves	(159,807)	(2,010)	(161,815)		

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.

2023/24 £'000		2024/25 £'000
(45,649)	Balance at 1 April	(46,149)
(1,151)	Upward revaluation of assets	(11,769)
651	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	298
(500)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(11,472)
(46,149)	Balance at 31 March	(57,620)

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:

2023/24 £'000		2024/25 £'000
(68,800)	Balance brought forward at 1 April	(73,088)
	<u>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement</u>	
1,619	- charges for depreciation and impairment of non-current assets	1,705
652	- revaluation (gains)/losses on property, plant & equipment	(90)
190	- amortisation of intangible assets	195
1,324	- revenue expenditure funded from capital under statute	1,860
3,785	Total Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement	3,669
(65,015)	Net Written out Amount of the Cost of Non-Current Assets Consumed in the Year	(69,418)
	<u>Capital Financing Applied in the Year</u>	
(132)	- use of the Capital Receipts Reserve used to finance new expenditure	(476)
(1,625)	- capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,595)
(1,472)	- statutory provision for the financing of capital investment charged against the general fund	(1,741)
(557)	- capital expenditure charged against the General Fund	(2,095)
(3,786)	Total Capital Financing Applied	(6,907)
(4,286)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	530
(73,088)	Balance Carried Forward at 31 March	(75,796)

Usable Capital Receipts Reserve

2023/24 £'000		2024/25 £'000
(3,940)	Balance brought forward at 1 April	(3,808)
0	Amounts receivable in year	(130)
132	Amounts applied to finance new capital investment	476
132	Total (Increase)/decrease in realised capital receipts	346
(3,808)	Balance carried forward at 31 March	(3,461)

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.

2023/24 £'000		2024/25 £'000
1,632	Balance at the start of the year	844
(8)	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	42
(780)	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	(430)
844	Balance at the end of the year	456

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

2023/24 £'000	Details	2024/25 £'000
(2,271)	Charges for depreciation, impairment, and revaluation of non-current assets	(1,614)
4,286	Movements in the market value of Investment Properties	(530)
(190)	Amortisation of intangible assets	(195)
257	Movement in pension liability	723
(52)	Increase/(decrease) in debtors	1,597
1,249	(Increase)/decrease in creditors	(309)
1,507	(Increase)/decrease in provisions	81
25	Increase/(decrease) in inventories	21
4,812	Adjustment for Net (Surplus) or Deficit on the Provision of services for non-cash movements	(227)

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

2023/24 £'000	Details	2024/25 £'000
544	Capital Grants credited to surplus or deficit on the provision of services	563
0	Proceeds from the sale of property plant and equipment, investment property and intangible assets	130
544	Total	693

Note 25: Cashflow from Investing Activities

These are cash payment or receipts involving capital activities.

2023/24 £'000	Details	2024/25 £'000
975	Purchase of property, plant and equipment, investment property and intangible assets	3,305
(5,000)	Purchase/(Proceeds) of short term and long term investments	0
(544)	Capital Grants Received	(563)
0	Receipts from sale of assets	(130)
(4,569)	Total	2,613

Note 26: Cashflow from Financing Activities

2023/24 £'000	Details	2024/25 £'000
418	Net cash payments for the reduction of finance leases	660
1,974	Other financing activities (collection fund and grant agency arrangements)	102
2,392	Total	763

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

	Borrowings £'000	Lease Liabilities £'000	Total £'000
2023/24			
Opening Balance at 1 April 2023	(64,427)	(1,868)	(66,295)
<u>Cash Flows</u>			
Repayment	0	418	418
Proceeds	0	0	0
<u>Non-Cash</u>			
Acquisition	0	(126)	(126)
Balance at 31 March 2024	(64,427)	(1,576)	(66,003)
2024/25			
<u>Cash Flows</u>			
Repayment	0	660	660
Proceeds	0	0	0
<u>Non-Cash</u>			
Acquisition	0	(845)	(845)
Balance at 31 March 2025	(64,427)	(1,761)	(66,188)

Note 27: Members' Allowances

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

Payments made	2023/24 £'000	2024/25 £'000
Allowances	186	269
Expenses	8	0
Total	194	269

Note 28: Executive Remuneration Bands and Exit Packages

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

No. of Staff 2023/24	Remuneration Range	No. of Staff 2024/25
8	£50,000 - £54,999	9
3	£55,000 - £59,999	9
1	£60,000 - £64,999	2
2	£65,000 - £69,999	1
2	£70,000 - £74,999	5
2	£75,000 - £79,999	0
2	£80,000 - £84,999	2
0	£90,000 - £94,999	1
2	£95,000 - £99,999	0
0	£100,000 - £104,999	1
0	£110,000 - £114,999	1
1	£135,000 - £139,999	0
0	£145,000 - £149,999	1
23	Total	32

Senior Officer Remuneration

Detailed remuneration information for senior employees is set out below. These staff are included in the table above where applicable.

NOTE 28: OFFICER'S REMUNERATION - remuneration of certain senior employees:								
Post holder information	2023/24				2024/25			
	Sub-Note	Remuneration incl Expenses £	Employer's Pension contributions £	Total £	Sub-Note	Remuneration incl Expenses £	Employer's Pension contributions £	Total £
Chief Executive Officer A		139,349	21,936	161,285		147,710	23,253	170,963
Director of Environment, Housing and Regeneration Officer B		99,680	15,373	115,053		111,084	17,229	128,313
Director of Corporate Services/ Assistant Director of Corporate Services Officer C		99,194	15,292	114,486	3	103,143	16,265	119,408
Chief Finance Officer/ Director of Corporate Services & Chief Finance Officer (S151) Officer D	1a	41,908	4,085	45,993		0	0	0
Officer E	1b	55,214	9,607	64,821	4a	54,982	9,207	64,189
Officer F		0	0	0	4b	24,038	4,183	28,221
Chief Legal Officer Officer G	2	73,908	12,860	86,768		92,713	16,132	108,845

Sub Notes

2024/25
3. Director of Corporate Services role changed to Assistant Director of Corporate Services from January 2025
4a. Chief Finance Office resigned October 2024, remuneration for 2024/25 was a salary of £54,982
4b. Director of Corporate Services & Chief Finance Officer (S151) from January 2025 until May 2025, remuneration for 2024/25 was a salary of £24,038
2023/24
1a. Chief Finance Officer until July 2023, remuneration for 2023/24 was a salary of £41,908
1b. Chief Finance Officer from August 2023, remuneration for 2023/24 was a salary of £55,214
2. Chief Legal Officer from May 2023, remuneration for 2023/24 was a salary of £73,908

Exit Packages

There were no exit packages paid in 2024/25 (none in 2023/24).

Note 29: Audit Costs

In 2024/25, the Council expects to incur the following fees relating to external audit and inspection:

2023/24 £'000		2024/25 £'000
145	Scale fee payable to the external auditors with regard to external audit	170
7	Additional 2023/24 audit fee variations (subject to agreement of PSAA)*	20
7	Fees payable to the external auditor for the certification of the 21/22 Housing Benefit subsidy claim	0
0	Fees payable to the external auditor for the certification of 22/23 Housing Benefit subsidy claim	45
46	Fees payable to the external auditor for the certification of 23/24 Housing Benefit subsidy claim	45
0	Fees payable to the external auditor for the certification of 24/25 Housing Benefit subsidy claim	57
205	Total	337

Note 30: Capital Financing Requirement

2023/24 £'000		2024/25 £'000
87,551	Opening Capital Financing Requirement	86,205
	Capital investment:	
629	Property, Plant and Equipment	3,049
372	Assets under Construction	899
115	Intangible Assets	203
1,324	Revenue Expenditure Funded from Capital under Statute	1,860
	Sources of finance:	
(132)	Capital receipts	(476)
(1,625)	Government grants and other contributions	(3,397)
	Sums set aside from revenue:	
(557)	Direct revenue contributions	(1,293)
(1,472)	Minimum Revenue Provision	(1,741)
86,205	Closing Capital Financing Requirement	85,309
(1,346)	Increase/(decrease) in Capital Financing Requirement	(896)

Note 31: Finance and Operating Leases

Council as Lessee

In 2024/25 the Council applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom 2024/25. The main impact of the new requirement is that for arrangements previously accounted for as operating leases (i.e., without recognising the leased property as an asset and future rents as a liability) a right of use asset and a lease liability are to be brought onto the balance sheet as at 1 April 2024. Leases for items of low value and short-term leases are exempt from the new arrangements.

Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date. The weighted average of the incremental borrowing rates used to discount liabilities was 5.39%.

Right-of-use assets are measured at the amount for the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024.

Right of Use Asset (ROU)

The following additions have been included in the balance sheet as at 1 April 2025:

Movement of Right of Use Assets

The table below shows the change in value of the right of use assets:

Movement of Right of Use Assets	Operational Buildings £000s
Balance at 1 April 2024	188
Additions	457
Depreciation	(61)
Balance at 31 March 2025	584

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:

2023/24 £'000		2024/25 £'000
1,713	Vehicles, Plant, and Equipment	1,482

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:

2023/24 £'000		2024/25 £'000
456	Finance lease liabilities: Current	743
1,121	Finance lease liabilities: non-Current	1,019
240	Finance costs payable in future years – Interest	363
1,817	Minimum lease payments	2,125

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	Finance Lease Liabilities
2023/24 £'000	2023/24 £'000		2024/25 £'000	2024/25 £'000
573	456	Not later than one year	911	743
1,244	1,121	Later than one year and not later than five years	1,149	1,019
0	0	Later than five years	0	0

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 out (Council as Lessor)

In 2024/25 the Council received £3.655m (note 16) gross rental and other income from investment properties (£3.359m in 2023/24), 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 £66.7m in 2024/25 (£66.7m in 2023/24).

The Council does not have any peppercorn leases.

The lease payments receivable in future years are:

Lease Income at 31 March 2024 £'000		Lease Income at 31 March 2025 £'000
3,470	Not later than one year	3,675
13,264	Later than one year and not later than five years	14,121
140,617	Later than five years	148,452
157,351	Total	166,248

£67.6 million of the income is from leases granted on Longmead and Nonsuch industrial estates. The decrease in rent due within 5 years is due to a property becoming vacant. The increase in rent later than 5 years is due to rent reviews on existing leases with a long life.

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:

2023/24 £'000		2024/25 £'000
	Comprehensive Income and Expenditure Statement	
	<u>Net Cost of Services:</u>	
2,023	Current service cost	2,006
0	Past service gain/cost	0
	<u>Financing and Investment Income and Expenditure:</u>	
245	Net Interest Expense	(127)
2,268	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,879
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<u>Remeasurements</u>	
(541)	Changes in demographic assumptions	(164)
(4,125)	Changes in financial assumptions	(14,030)
3,034	Other experience	(979)
0	Effect of the asset ceiling	24,909
(5,858)	Return on assets excluding amounts included in net interest	236
(7,490)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	9,970
	<u>Movement in Reserves Statement</u>	
(2,268)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,879)
2,525	Employers' contributions payable to scheme	2,602

Assets and Liabilities in Relation to Post-employment Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2025 are as follows:

2023/24 £'000		2024/25 £'000
(93,082)	1 April 2024	(93,796)
0	Adjustment to opening balance	2
(2,023)	Current service cost	(2,006)
0	Past service cost	0
(4,374)	Interest cost	(4,464)
(600)	Contribution from scheme participants	(662)
99	Unfunded benefits paid	98
4,552	Benefits paid	4,046
	<u>Remeasurement gains/(losses):</u>	
541	- actuarial gains/losses arising from changes in demographic assumptions	164
4,125	- actuarial gains/losses arising from changes in financial assumptions	14,030
(3,034)	- Other experience	979
(93,796)	Estimated scheme liabilities at 31 March 2025	(81,609)
87,682	1 April 2024	96,143
2	Adjustment to opening balance	1
4,129	Interest income	4,591
0	Remeasurement gain/(loss):	0
5,858	- return on plan assets, excluding the amount in net interest expense	(236)
2,424	Contributions from employer	2,503
600	Contributions from employees into the scheme	662
(4,552)	Benefits paid	(4,046)
96,143	Estimated scheme assets at 31 March 2025	99,618
2,347	Net asset / (liability) 31 March 2025	18,009
-	Effect of the asset ceiling	(24,909)
2,347	Net liability arising from defined benefit obligation	(6,900)

The liabilities represent the underlying commitments that the authority has to pay in retirement benefits over the long-term.

Since 31 March 2024, there has been a £15.7m favourable movement in the net asset/liability valuation, resulting in a net asset of £18.0m at 31 March 2025. The movement is principally due to strong returns and interest income from plan assets.

Working with its actuary, Hyman Robertson, the authority has tested whether the net asset is impacted by an asset ceiling, in accordance with IAS19. IAS19 imposes a limit on the maximum amount of surplus which can be recognised on the Employer's balance sheet. An additional 'asset ceiling' calculation was commissioned by the fund's actuary to identify the limit of surplus to be recognised based on the present value of employer future service costs less the present value of future employer contributions, over the future working lifetime of active scheme members.

Based on this calculation the asset ceiling calculation was £nil, meaning no pension surplus could be recognised in the Council's accounts at 31st March 2025. Therefore, an adjustment to reverse the surplus of £24.9m is shown within the accounting disclosure.

The amount included in the balance sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Pension Assets and Liabilities	31-Mar-24 £'000	31-Mar-25 £'000
Present value of the defined benefit obligation	(93,797)	(80,748)
Fair value of plan assets	96,144	99,618
Net pensions asset for LGPS before effect of the asset ceiling	2,347	18,870
Effect of the asset ceiling	-	(24,909)
Net pensions liability for LGPS	2,347	(6,039)
Unfunded pensions obligations	-	(861)
Overall net pensions liability	2,347	(6,900)

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

2023/24 £'000		2024/25 £'000
9,987	Actual return/(loss) on assets as per actuary	4,355

The return on the fund in market value terms for the period to 31 March 2025 is estimated based on actual funds return as provided by the administering authority and index returns where necessary.

Scheme History

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Present value of liabilities:						
Local Government Pension Scheme	(100,859)	(127,127)	(122,575)	(93,082)	(93,796)	(81,609)
Fair Value of Assets:						
Local Government Pension Scheme	63,505	80,926	85,782	87,682	96,143	99,618
Effect of the Asset Ceiling	-	-	-	-	-	(24,909)
Total	(39,534)	(46,201)	(36,793)	(5,400)	2,347	(6,900)

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

When a deficit has arisen in the past, plans were put in place for it to 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 £2.43m into the Local Government Pension Scheme in the year to 31 March 2026.

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:

2023/24		2024/25
	Longevity at 65 for current pensioners:	
21.7	Men	21.6
24.3	Women	24.3
	Longevity at 65 for future pensioners:	
22.2	Men	22.1
26	Women	26
2.8%	Rate of increase in pensions*	2.8%
3.8%	Rate of increase in salaries*	3.8%
4.8%	Rate for discounting scheme liabilities	5.8%
25.0%	Take-up of option to convert annual pension into retirement lump sum	25.0%

* The figures for the rate of increase in pensions and in salaries for 2023/24 was incorrectly stated in the 2023/24 accounts as 3.0% and 4.0% respectively. This was incorrect and the correct figures of 2.8% and 3.8% have been used in the table above for the prior year figures.

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:-

Change in assumptions at 31 March 2025:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	1,298
1 year increase in member life expectancy	4%	3,264
0.1% increase in the Salary Increase Rate	0%	49
0.1% increase in the Pension Increase Rate (CPI)	2%	1,285

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 16 years.

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

Percentage of Fund Assets		Percentage of Fund Assets
2023/24		2024/25
78%	Equity Investments	62%
15%	Bonds	15%
5%	Property	21%
2%	Cash	2%
100%	Total	100%

Movement in net pension liability:

2023/24 £'000		2024/25 £'000
(5,400)	Opening Balance	2,347
(2,023)	Current Service Costs	(2,006)
(245)	Net Interest Expense	127
2,525	Employer Contributions	2,602
7,490	Remeasurements	(9,970)
2,347	Closing Balance	(6,900)

Note 33: Contingent Liabilities & Assets

Contingent Liabilities

The Council had been notified by the Scheme Administrator for Municipal Mutual Insurance Ltd that the amount subject to levy is £83,615 which may be claimed by Municipal Mutual Insurance Ltd in relation to future liabilities. The amount is unchanged from 31 March 2025. The Council's earmarked Insurance Reserve includes an amount to cover any potential future claims.

Current government regulations require that to enter into new commercial property leases from 2027 the property must have an Energy Performance Certificate (EPC) rating of C or above. One of the properties owned by the Council's subsidiary EEPIC, is currently EPC rated B and so meets the regulations. The second property is rated D. As it is already leased out until 2036 it is not expected to impact on the regulations until 2036, when work will be required to bring it up to the necessary EPC rating, should a new lease be entered into. The estimated cost (based on current prices) to upgrade the property to EPC C or above is £10m.

Contingent Assets

There are no material contingent assets at 31 March 2025.

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. In previous years, the Council has disclosed related party transactions with Age Concern, Citizen's Advice Bureau and Horton Chapel Arts & Heritage Society. Upon further consideration of the transactions with these parties it has been determined that they do not meet the definition under IAS24 of a related party. Therefore the only disclosure this year relates to the Council's subsidiary company detailed below.

Epsom & Ewell Property Investment Company Limited

The Council owns a subsidiary company, Epsom and Ewell Property Investment Company Limited (EEPIC). As at 31 March 2025, four Council officers served as Directors of EEPIC – the Head of Property and Regeneration, the Head of Housing & Communities, the Assistant Director of Corporate Services and the Chief Accountant. 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 2024/25 the Council entered into the following related party transactions with EEPIC:

Transaction Description	2023/24 £'000	2024/25 £'000
<u>Amounts received by EEPIC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(139)	(148)
Dividend from EEPIC	(615)	(620)
Total	(2,562)	(2,577)

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.

2023/24				2024/25		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
0	(74,616)	(74,616)	INCOME:	0	(78,469)	(78,469)
(20,526)	0	(20,526)	Council Tax Receivable	(22,516)	0	(22,516)
(782)	0	(782)	Business Rates Receivable	(4)	0	(4)
			Transitional Protection Payments			
(21,308)	(74,616)	(95,924)	Total Income	(22,520)	(78,469)	(100,989)
			EXPENDITURE:			
			Apportionment of Prior Year Surplus/(Deficit)			
(1,356)	0	(1,356)	Central Government	(1,296)	0	(1,296)
(1,085)	27	(1,058)	Epsom & Ewell Borough Council	(1,037)	58	(979)
(271)	207	(64)	Surrey County Council	(259)	440	181
0	38	38	Surrey Police Authority	0	82	82
			Precepts, Demands and Shares			
12,414	0	12,414	Central Government	12,058	0	12,058
9,931	7,361	17,292	Epsom & Ewell Borough Council	9,647	7,636	17,283
2,483	56,151	58,634	Surrey County Council	2,412	59,375	61,787
0	10,411	10,411	Surrey Police Authority	0	10,924	10,924
			Charges to Collection Fund			
307	334	641	Increase / (Decrease) in Bad Debt Provision	44	375	419
(3,143)	0	(3,143)	Increase / (Decrease) in Provision for Appeals	(202)	0	(202)
79	0	79	Cost of Collection	79	0	79
19,359	74,529	93,888	Total Expenditure	21,446	78,890	100,336
(1,949)	(87)	(2,036)	(Surplus) / Deficit arising during the year	(1,074)	421	(653)
4,210	(518)	3,692	(Surplus) / Deficit b/fwd 1 April	2,260	(605)	1,656
2,260	(605)	1,656	(Surplus) / Deficit c/fwd 31 March	1,186	(184)	1,003
			Apportionment to Preceptors/EEBC			
1,130	0	1,130	Central Government	593	0	593
904	(60)	844	Epsom & Ewell Borough Council	474	(18)	456
226	(460)	(234)	Surrey County Council	119	(142)	(23)
0	(85)	(85)	Surrey Police Authority	0	(26)	(26)
2,260	(605)	1,655		1,186	(186)	1,000

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 Band
	A	93.81	6/9 th	62.54
	B	794.73	7/9 th	618.12
	C	4,246.74	8/9 th	3,774.88
	D	7,876.61	9/9 th	7,876.61
	E	7,033.33	11/9 th	8,596.29
	F	4,445.02	13/9 th	6,420.58
	G	3,950.76	15/9 th	6,584.60
	H	136.75	18/9 th	273.5
Aggregate of Relevant Amounts				34,207.12
Estimated Collection Rate				98.70%
Council Tax Base				33,762.43

The Council achieved a council tax collection rate of 99.0% in 2024/25 (99.0% in 2023/24).

Non-Domestic Rates Statistics

2023/24 £'000		2024/25 £'000
64,269	Total Non-Domestic Rateable Value at year end	63,576
51.2	National Non-Domestic Rate Multiplier (Standard)	54.6

The Council achieved a business rates collection rate of 99.3% in 2024/25 (99.6% in 2023/24).

Precepting Bodies

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

2023/24 £'000		2024/25 £'000
56,151	Surrey County Council	59,375
10,411	Surrey Police	10,924
7,361	Epsom and Ewell Borough Council	7,636
73,923	Total Precepts on Collection Fund	77,935

Distribution of Council Tax Surplus/(Deficit)

2023/24 £000		2024/25 £000
207	Surrey County Council	440
38	Surrey Police Authority	82
27	Epsom & Ewell Borough Council	58
272	Balance at Year End	580

Council Tax Provision for Bad Debts

2023/24 £000		2024/25 £000
1,155	Opening Balance	735
(420)	Write offs	(508)
0	Increase/(Decrease) in Bad Debt Provision	375
735	Balance at Year End	602

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 Limited will be filed with Companies House and available on request from:

Cagdas Canbolat (Director of Corporate Services (\$151))
Epsom & Ewell Borough Council
Town Hall
The Parade
KT18 5BY

Accounting Policies

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

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

Group Comprehensive Income & Expenditure Statement

2023/24 Group CIES			Committee	2024/25 Group CIES		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
12,132	(6,993)	5,139	Environment	11,598	(7,532)	4,066
12,347	(6,237)	6,110	Community & Wellbeing	13,637	(7,139)	6,497
19,720	(16,477)	3,243	Strategy and Resources	20,422	(16,260)	4,163
2,310	(1,186)	1,124	Licensing & Planning Policy	3,118	(1,964)	1,153
46,510	(30,894)	15,616	Cost of Services	48,775	(32,895)	15,879
0	0	0	Other Operating Expenditure (Note 11)	0	(130)	(130)
5,755	(12,833)	(7,079)	Financing and investment Income and Expenditure (Note 12)	4,600	(8,220)	(3,620)
0	(11,425)	(11,425)	Taxation and non-specific grant income and expenditure (Note 13)	0	(11,245)	(11,245)
52,265	(55,152)	(2,888)	(Surplus) or Deficit on Provision of Services	53,374	(52,490)	885
		(500)	(Surplus)/Deficit on revaluation of property, plant, equipment assets (Note 23)			(11,472)
		(7,490)	Remeasurement of net defined benefit liability/(asset) (Note 32)			9,970
		(7,990)	Other Comprehensive (Income) and Expenditure			(1,502)
		(10,878)	Total Comprehensive (Income) and Expenditure			(617)

Group Movement in Reserves Statement

Group Movement in Reserves Statement	EEBC Unusable Reserves	EEPIC Retained Earnings	EEPIC Revaluation Reserve	Total Group Reserves
2024/25	£'000	£'000	£'000	£'000
Balance at 01 April 2024	(120,740)	(1,817)	8,747	(152,877)
Movement in Reserves During 2024/25				
Total Comprehensive Income, Expenditure and Dividends	(1,502)	(449)	1,839	(617)
Adjustments between accounting basis and funding under regulations (Note 9)	(3,818)	0	0	0
Increase or Decrease in 2024/25	(5,320)	(449)	1,839	(617)
Balance at 31 March 2025 carried forward	(126,060)	(2,265)	10,586	(153,495)
2023/24	£'000	£'000	£'000	£'000
Balance at 01 April 2023	(107,417)	(1,408)	7,850	(142,000)
Movement in Reserves During 2023/24				
Total Comprehensive Income, Expenditure and Dividends	(7,990)	(409)	897	(10,877)
Adjustments between accounting basis and funding under regulations (Note 9)	(5,332)	0	0	(0)
Increase or Decrease in 2023/24	(13,323)	(409)	897	(10,878)
Balance at 31 March 2024 carried forward	(120,740)	(1,817)	8,747	(152,877)

Group Balance Sheet

2023/24 Group Balance £'000		2024/25 Group Balance £'000
	Long-term Assets	
79,874	Property, Plant and Equipment	93,678
115,339	Investment Properties	112,970
722	Heritage Assets	722
366	Intangible Assets	375
0	Long Term Investments	0
855	Long Term Debtors	1,442
2,347	Defined Benefit Pension Asset	0
38	Surplus Assets	39
199,541	Total Long-term Assets	209,226
	Current Assets	
91	Inventories	112
6,534	Short-term Debtors	7,998
15,000	Short-term Investments	15,000
9,748	Cash and Cash Equivalents	6,471
31,373	Total Current Assets	29,581
	Current Liabilities	
(8,413)	Short-term Creditors	(9,057)
(250)	Short-term Provisions	(413)
(456)	Lease Liability - Within One year	(743)
(9,119)	Total Current liabilities	(10,213)
	Long-term Liabilities	
(64,427)	Long Term Borrowing	(64,427)
0	Defined Benefit Pension Liability	(6,900)
(3,129)	Grants Receipts in Advance	(2,580)
(242)	Long-term Provisions	(175)
(1,121)	Lease Liability - Over One year	(1,019)
(68,918)	Total Long-term Liabilities	(75,100)
152,878	NET ASSETS	153,495
	Total Reserves	
(40,884)	Usable Reserves	(38,021)
(111,994)	Unusable Reserves	(115,474)
(152,878)	TOTAL RESERVES	(153,495)

Group Cash Flow Statement

2023/24 Group £'000		2024/25 Group £'000
(2,887)	Net (Surplus) or Deficit on the Provision of Services	885
4,225	Adjustment for Net (Surplus) or Deficit on the Provision of Services for non-cash movements	(1,677)
544	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	693
1,881	Net cash flows from Operating Activities	(99)
(4,569)	Net cash outflow / (inflow) from Investing Activities	2,612
2,392	Net cash outflow / (inflow) from Financing Activities	763
(296)	Net (Increase) / Decrease in Cash and cash Equivalents at the End of the reporting period	3,276
9,451	Cash and Cash Equivalents at the Beginning of the Period	9,747
296	Net Increase/(decrease) in Cash and Cash Equivalents	(3,276)
9,747	Cash and Cash Equivalents at the End of the Reporting Period	6,471

Group Creditors – Current

2023/24 Group Creditors £'000		2024/25 Group Creditors £'000
(2,243)	Central Government Bodies	(1,475)
(1,467)	Other Local Authorities	(1,742)
(113)	Council Tax Payers	(117)
(281)	Non Domestic Ratepayers	(324)
(4,308)	Other Entities and individuals	(5,399)
(8,413)	Total	(9,057)

Group Debtors – Current

2023/24 Group Debtors £'000		2024/25 Group Debtors £'000
767	Central government bodies	2,059
8	Other Local Authorities	123
256	Council Tax Payers	163
205	Non Domestic Rate Payers	217
5,298	Other Entities and individuals	5,435
6,534	Total Debtors	7,998

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:

2023/24 Group £'000		2024/25 Group £'000
(6,827)	Rental Income from Investment Property	(7,191)
2,462	Other Net Expenditure Arising from Investment Property	675
(4,365)	Net (Income)/Expenditure	(6,516)

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 2025 by Wilks, Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The following table summarises the movement in the fair value of investment properties over the year.

2023/24 Group £'000		2024/25 Group £'000
116,279	Balance at the Start of the Year	115,339
3,389	Net gains/(losses) from Fair Value Adjustments	(2,370)
(4,329)	Transfers to/from Assets Held For Sale/Other adjustments	0
115,339	Balance at the Year End	112,970

Group Related Parties

During 2024/25, the Council entered into the following related party transactions with EEPIC:

Transaction Description	2023/24 £'000	2024/25 £'000
<u>Amounts received by EEBBC from EEPIC</u>		
Interest receivable from EEPIC	(1,809)	(1,809)
Support services rechargeable to EEPIC	(139)	(148)
Dividend from EEPIC	(615)	(620)
Total	(2,562)	(2,577)

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

EEPIC made a full-year profit before tax (excluding property revaluations) of £1.4m in 2024/25, paying a dividend of £0.6m to the Council. EEPIC's property valuations decreased by £1.8m compared to 31 March 2024.

At 31 March 2025, four Council officers served as Directors of EEPIC – the Head of Property and Regeneration, the Head of Housing & Communities, the Assistant Corporate Services Director and the Chief Accountant. 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 the Statement of Accounts.

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.



Cagdas Canbolat

Director of Corporate Services (S151 Officer)

6 February 2026



Annual
Governance
Statement
2024-2025

Date: July 2025

1. Executive Summary

Following the government's announcement and plans for Local Government Reorganisation (LGR), Epsom & Ewell Borough Council have developed [7 Strategic Priorities](#) which we are committed to deliver during 2025-27. These priorities now stand in place of a new Four Year Plan, in light of the timescales associated with LGR.

We continue our drive to work as efficiently and effectively as possible in delivering our existing strategies and services, and managing our assets and sources of income and expenditure. Yet we remain adaptable to changes in government legislation and other external factors.

Governance can be defined as comprising “the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the public sector is to ensure that [local authorities] achieve their intended outcomes while acting in the public interest at all times.” Governance includes processes, procedures, policies, administrative systems, legal arrangements and so forth, “through which [an organisation's] objectives are set and pursued in” their environmental context, while “ensuring that stakeholders can have confidence that their trust in [the organisation] is well founded.”

For an account of the key processes, procedures and controls we have in place to ensure we have a robust foundation of good governance and sound financial management, please see our local [Code of Corporate Governance](#). The Code provides assurance that we are meeting the CIPFA principles of good governance.¹

Each year we are required to produce an Annual Governance Statement (AGS). The AGS incorporates the continuous assessment of our governance arrangements throughout the last year, identifying areas where we can improve,² and ultimately providing us with an honest and transparent assessment of our governance arrangements. Therefore, this helps us to ensure we are doing the right things in the right way, and ultimately delivering value for money.³ Hence why the AGS sits alongside our annual Statement of Accounts.

Our assessment of the status of our governance, for the year ending 31 March 2025, indicates that we generally have a sound foundation of governance, systems of internal control and risk management in place. However, there are some areas where we can further improve. These areas may impact our ability to manage risks

¹ CIPFA (2016) Delivering Good Governance in Local Government Framework, 2016 Edition. CIPFA: London.

² See the following sections: “Rationale for the Statement's Assurance Opinion” and the “Action Plan”.

³ HM Government (2024) Best value standards and intervention: a statutory guide for best value authorities, Dept. for Levelling Up, Housing & Communities. Online available: <https://www.gov.uk/government/publications/best-value-standards-and-intervention-a-statutory-guide-for-best-value-authorities/best-value-standards-and-intervention-a-statutory-guide-for-best-value-authorities#best-value-powers> [last accessed 31/05/24].

effectively and achieve our aims and objectives. Yet we are aware of these issues, outlined in Section 3, and have plans in place to address them.

LGR has, and will continue to have, a significant impact on our governance. Most notably, the impacts relate to our strategic development, both as an organisation and our vision for the Borough, continuous improvement, and human resources.

Given the council is expected to be merged with neighbouring authorities to make a new larger unitary council in 2027, setting long-term goals beyond this date is redundant. To address this, we agreed the 7 strategic priorities which we believe will yield the most benefit to the Borough over the next two years. However significant investments and spend in continuous organisational improvement is less likely to happen, as the value of these will not be realisable in the next two years, and the new local authorities will have their own plans for this. To that end, we have chosen not to progress our Corporate Peer Challenge (CPC) action plan. We also face the challenge of managing our workforce in an environment of uncertainty, in that we are aiming to retain and recruit officers in an organisation that will change significantly in 2027.

2. Review of the Effectiveness of the Council's Governance Framework

Gaining assurance for the review

Throughout the year, we regularly review the effectiveness of our governance arrangements, which culminate in this annual statement. In addition to the controls listed within our [Code of Corporate Governance](#),⁴ we gain assurance for the content and overall governance assessment of the AGS through the following:

- Management assurance statements: all Heads of Service are required to review and sign a statement regarding the status of governance in their department. Any weaknesses that are identified by Heads of Service are then reviewed by the Strategic Leadership Team, and those that are significant governance issues are included in this statement's action plan (below).
- Statutory Officer Statements: Each statutory officer of the council provides a governance statement related to their areas of responsibility (see "Statutory Assurances" below).
- Code of Governance review: as part of the production of this statement officers review our Code of Governance and assess whether the controls and processes listed within are working effectively at present.
- Internal Audit's annual opinion: central to forming our assessment of our governance is our consideration of the Chief Internal Auditor's annual conclusion on our organisational governance, having completed the last annual audit plan.
- External Audit: we review the outcomes of our last External (financial) Audit, including the value for money element. Any observations are considered for inclusion in this Statement.
- Draft AGS review: the Strategic Leadership team conduct a final officer review of the draft version of this Statement, before it is submitted to the Audit and Scrutiny Committee for final review and approval.
- Delivering Good Governance update: CIPFA have recently (May 2025) published an [addendum](#) to their "Delivering good governance in local government: framework," which provides further guidance on the contents and presentation of the AGS. These updates have been reviewed and incorporated into this year's Statement.

Compliance with CIPFA Financial Management Code

⁴ CIPFA (2023) *Developing an effective assurance framework in a local authority*, December 2023. Online available: <https://www.cipfa.org/cipfa-thinks/briefings> [last accessed 22/06/2024].

CIPFA published its first edition 'Financial Management Code' for local authorities in October 2019. CIPFA considers that compliance with this Code is mandatory for all local authorities although such compliance is not specifically mandated by statute. The code is essentially a best practice guide to financial management in the local authority sector. It covers the following areas:

- The responsibilities of the chief financial officer and the leadership team (including members).
- Governance and financial management style.
- Medium to long term financial management.
- The annual budget.
- Stakeholder engagement and business plans.
- Monitoring financial performance.
- External financial reporting.

Officers have undertaken an assessment of the council's compliance with the Code and in general terms the council's arrangements meet the recommended standards.

Subsidiary Company

The Council has one subsidiary company – Epsom & Ewell Property Investment Company Limited (EEPIC) – a 100% wholly owned trading company of the Council. It was incorporated on 18 August 2017 to provide the Council with the flexibility to undertake commercial trading activities in property investment. In accordance with Government guidance introduced in April 2018, no further out of Borough property investment acquisitions have been made. As the sole shareholder of EEPIC, the Council ensures strong governance through regular meetings of the Shareholder Sub-Committee. It approves EEPIC's Annual Business Plan and receives an Annual Review each November as provided by the Shareholder Agreement. In addition to its role as shareholder, the Council is also EEPIC's lender with separate governance provided through Strategy & Resources Committee for loan agreement matters. EEPIC Board Meetings are held quarterly with quarterly management and finance monitoring reports submitted to the Council's S151 Officer to ensure loan monitoring compliance. As a property investment company holding property investment assets for income generation, the key risks to EEPIC are tenancy void periods i.e. tenant default or tenant failure to renew at lease expiry. To mitigate these risks, EEPIC holds long term leases (the shortest lease in the portfolio doesn't expire until 2036) and quarterly management reporting ensures Directors are kept fully informed of tenant matters. All Directors are senior officers of the Council, and all have received appropriate training.

Statutory Assurances

Several officers at the Council hold [statutory roles](#), which are established in legislation and have specific responsibilities. It is important that assurances from these officers are included in this AGS to support its conclusion on the Council's governance arrangements.

Head of Paid Service

The Head of Paid Service is responsible for the overall corporate and operational management of the Council. These responsibilities have been considered within the context of this statement and the Head of Paid Service can confirm that proper arrangements have been put in place for the overall operation and management of the Council.

The Head of Paid Service has significant concerns around the impact of the unprecedented increase in both the cost and demand for temporary accommodation on the council, particularly as this is a statutory requirement and must be met. We continue to face service and economic pressures and whilst the council remains relatively financially stable, this situation is unsustainable for the period of our current MTFS.

There has been a continued and sustained focus on governance, performance and risk management.

The Local Government Reorganisation (LGR) announced in December 2024 has placed Surrey on an accelerated timeline to Unitarisation, which has required a wholesale reconsideration of longer term plans and priorities. Staff turnover has stabilised well in the last year but the uncertainty of LGR has begun to impact on turnover, with the loss of a few key roles already having occurred. We anticipate this will continue and may place additional pressure on key services, particularly as retention and attraction will both become difficult.

The Council has worked with other Surrey authorities on the LGR submission and will be focussed on designing and implementing the future governance and service delivery models with potential unitary partners going forward into 25/26 and beyond.

Chief Financial and Section 151 Officer

The Chief Financial Officer (CFO) is responsible for the proper administration of the Council's financial affairs. The Chief Financial Officer confirms that the Council's arrangements conform to Section 151 of the Local Government Act 1972 and that the Council complies with CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016).

While the Council has robust financial management arrangements in place, it is important to note that the 2025/26 budget was produced in the context of prevailing uncertainty around local government future, finances and macro-economic developments. In 2024 we witnessed a change in government after 14 years which also saw discussion on Local Government Reorganisation (LGR) resurface.

Government wants to see a new 'single-tier' system in Surrey with a far smaller number of unitary councils each delivering all the local council services. This has initiated added uncertainty within Councils and stresses the ongoing importance of good financial management to enable the Council to respond to the changing landscape.

During these developments, in 2024/25, the Council approved its Medium Term Financial Strategy 2025-29, which aims to deliver corporate priorities while addressing the future budget gap to maintain the financial health of the organisation. Financial risk remains high, particularly with regard to service demands including temporary accommodation, the future of the council, inflationary pressures and risks of reduction in council income. However, a healthy level of provisions are in place to manage risks as far as possible, but these risks will need to be monitored regularly.

As part of LGR, there are also advanced discussions with other Surrey authorities on how to respond to the expected changes in Surrey. We continue to use these platforms to ensure the council responds to challenges ahead where we assess financial resilience, collaborative initiatives and partnership opportunities, alongside a review of our statutory and discretionary services during 25/26 and beyond.

Monitoring Officer

The Monitoring Officer (Head of Legal Services – which includes oversight of the Council's Democratic Services and Election Team) is required to report to the Council in any case where it appears that any proposal, decision, or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989.

During the course of the last year, the Council's Constitution was reviewed and updated; work to review the constitution in other areas continues, subject to the impact of CGR and LGR. The Council shall be considering the commencement of a Community Governance Review (CGR) at its extraordinary full council meetings scheduled for 26 June 2025, which shall explore via public consultation the potential creation of parish areas to be served by parish councils from 2027 onward.

As identified by both the Chief Executive and Chief Finance Officer, the Council has worked with other Surrey authorities on the LGR submission and will be focussed on designing and implementing the future governance and service delivery models with potential unitary partners going forward into 25/26 and beyond to ensure that any

changes proposed either comply with or amend the current governance arrangements in place so as to ensure compliance with any relevant legal requirements.

Internal Audit Annual Opinion⁵

I am satisfied that sufficient assurance and advisory work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the framework of governance, risk management and control are 'reasonable' and audit testing has demonstrated controls to be working in practice.

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

External Audit

External auditors Grant Thornton provided an unqualified (i.e. favourable) opinion on 26 February 2025 on the 2023/24 Statement of Accounts and have not identified any significant weaknesses in our: governance arrangements, financial sustainability, or our economy, efficiency and effectiveness.



The external audit of 2024/25's Statement of Accounts is expected to take place in Summer 2025.

⁵ Please note our Internal Audit function is delivered by the Southern Internal Audit Partnership (SIAP), operated by Hampshire County Council. This paragraph is a direct quote from the *Annual Internal Audit Report & Opinion 2024-2025*, prepared by SIAP's Deputy Head of Partnership. It will be available in the committee papers for this meeting (once the agenda is published). The meaning of "reasonable" is defined in sections 4 and 9 of the annual report.


3. Rational for this Annual Governance Statement's Assurance Opinion

This section highlights the factors that contribute to our overall assurance opinion, in addition to Internal Audit's annual opinion.

The first section focuses on the actions that relate to CIPFA's principles of good governance, while the second section presents actions that fall within the seven Best Value themes. Note, there will be some cross-pollination of actions between both sections, as certain actions will be applicable to both a CIPFA principle and a Best Value theme. Both sections use the following traffic light icon descriptors.

Definition ⁶	Description
<p>Adequate</p> 	<p>There are sound policies and processes in place that are working effectively across services, which provide for good governance arrangements and support compliance with requirements of the CIPFA Principle, and the achievement of the Council's Best Value aims and objectives.</p> <p>There may be minor areas for continuous improvement, but these do not represent a significant or material risk to the Council's overall governance framework.</p>
<p>Some development or areas for improvement</p> 	<p>Whilst there are policies and processes in place, there are some areas that remain a challenge for the Council or require further improvement, which may impact the effectiveness of elements of the Council's governance arrangements, compliance with the CIPFA principle and the achievement of the Council's Best Value aims and objectives. The Council has an action plan in place to address challenges and improvement matters.</p>



⁶ We have referred to [Basildon Council's criteria](#) to inform this section's assessment (last accessed 11/06/2025).




<p>Key development or many areas</p>  <p>for improvement</p>	<p>We have identified significant challenges in relation to the policies and processes, which may impact the effectiveness of elements of our governance arrangements, compliance with the CIPFA principle and achievement of our Best Value aims and objectives. We have implemented plans for corrective actions to manage these risks.</p>
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Please note

The items included in the table below are controls, processes etc. that have changed in the year, that is, where we improved or identified an area to improve. It is therefore not a list of all the governance arrangements we have in place. For a full list and further detail on our arrangements and assurance framework, please see our [Code of Corporate Governance](#).



Documents listed in square brackets following items in the table below indicate where the item is being tracked. If it says Section 4 in the square brackets, this relates to the action plan contained within this statement.

Core CIPFA governance principle	Overall assessment	What's working well	Where we can improve
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		<ol style="list-style-type: none"> 1. New 'People Framework' for officers has been implemented. which is restyled on our hybrid working policy 2. We updated our Contract Standing Orders to meet the implementation of the Procurement Act 2023. 3. We have publicised the Seven Principles of Public Life to staff via a news article and hard copy and digital posters displayed across Council buildings and intranet. 4. We produced our annual Diversity, Equity and Inclusion Framework report for 2024/25 and have an action plan for 2025/26 in place. 	<ol style="list-style-type: none"> 1. We have experienced delays in reviewing and updating our Health and Safety policies. However, this work has been assigned as a priority for completion in 2025/26 [Health and Safety Action Plan].
B. Ensuring openness and comprehensive stakeholder engagement		<ol style="list-style-type: none"> 1. We submitted our Local Plan for inspection on time. 2. We've published new guidance on managing contract for officers. 	<ol style="list-style-type: none"> 1. We are investigating ways to create a corporate repository for all our resident engagement activities to provide a better overview of this work. Further emphasis has been given to this through our governance review consultation. New consultation platform to be launched shortly (updated June 2026) 2. We will finalise the updates to our Procurement Strategy in July 2025, which has slipped by a few months due to the government's delayed implementation of the Procurement Act 2023 [Service Delivery Plan]. 3. We're reviewing appeals related to the Local Plan to ensure they do not relate to the governance of the Plan [Section 4].



C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		<ol style="list-style-type: none"> 1. We've agreed our second Climate Change Action Plan and achieved our 2024/25 objectives. 2. We delivered our 2024/25 Arts, Culture and Heritage Strategy objectives. 3. Our updates to our procurement documentation includes reference and guidance related to social value. 	<ol style="list-style-type: none"> 1. Approve the updated Health & Wellbeing Strategy following public consultation (July 2025). Progress has slipped past our intended completion date of the end of March 2025 [Service Delivery Plan]. 2. Local Government Reorganisation impacted our delivery to develop proposals for the current Town Hall site. Elements of this action are now included in our new strategic priorities [Corporate Performance Report]. 3. The delivery of our 2024/25 Community Safety Action Plan objectives have slipped but are expected to completed by the end of 2025 [Service Delivery Plan].
D. Determining the interventions necessary to optimise the achievement of the intended outcomes		<ol style="list-style-type: none"> 1. The Council's Strategic Priorities for the next two years have been published. 2. We've incorporated Local Government Reorganisation implications into our committee report template. 3. We've updated our cemetery lease renewals policy. 	
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		<ol style="list-style-type: none"> 1. We've completed all appointments to our Strategic Leadership Team. 2. We've partnered with a data specialist organisation to create additional information governance capacity. 3. We recruited to our key People and Organisational Development team posts. 	<ol style="list-style-type: none"> 1. We're behind our target for long-term sickness and working on more guidance and training for managers to help address this [Corporate Performance Report]. 2. We're delivering training to staff – through Digital Champions – to help accelerate our organisational capacity related to using new software and digital processes [Service Delivery Plan].




<p>F. Managing risks and performance through robust internal control and strong public financial management</p>		<ol style="list-style-type: none"> 1. We set a balanced budget for 2025/26. 2. Treasury Management income has continued to exceed our targets for this year. 3. The Risk Management Strategy was reviewed and updated in November 2024. 	<ol style="list-style-type: none"> 1. There are 2 red / high risks on our Corporate Risk Register and 5 on our committee risk registers. For the most recent updates on these risks please see our Quarter 4 Corporate Performance Report [Corporate Performance Report].
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>		<ol style="list-style-type: none"> 1. Internal and External Audit, and budget monitoring reports, have reported to Audit and Scrutiny Committee throughout the year. 2. The Internal Audit Plan for 2025-26 was agreed by Audit & Scrutiny Committee. This has been set as two 6-month plans to allow for greater flexibility in the plan, enabling it to respond to changing priorities. 3. We published an updated guide for suppliers on how to do business with us. 4. We've updated our Whistleblowing policy. 	<ol style="list-style-type: none"> 1. External Audit raised concerns regarding transparency at the council. As a result, a report has been scheduled on the July 2025 meeting of Audit and Scrutiny Committee which will illustrate how the council meets its transparency obligations [Audit and Scrutiny Committee agenda – July 2025].

Seven Best Value Themes⁷

Best Value theme	Overall assessment	What's working well	Where we can improve
1. Continuous improvement		<ol style="list-style-type: none"> 1. CIPFA principles of good governance feature in this Statement, and we've related the latest update to this guidance. 2. Governance improvement actions are included in the final section of this Statement. 	<ol style="list-style-type: none"> 1. Local Government Reorganisation (LGR) has led us to cease our Corporate Peer Challenge Action Plan and limits our ability to achieve value for money through continuous improvement projects. However, we remain committed to delivering essential service delivery improvements and upgrades. 2. We have not arranged our councillor workshops on risk appetite, and given our risk management framework is robust and LGR has increased councillor workloads, we will abandon this action [Internal Audit Progress Reports]. 3. LGR and the cancellation our move to East Street led to slippage in the delivery of our ICT Strategy [Service Delivery Plan].
2. Leadership		<ol style="list-style-type: none"> 1. We have agreed our strategic priorities for the next two years (i.e. to LGR expected vesting day). 2. Our financial accounts audits are up to date. 3. All statutory officer posts are filled with permanent appointments. 4. Performance and risk management has been regularly reviewed by the corporate leadership team, policy committee Chairs, and Audit and Scrutiny Committee. 	<ol style="list-style-type: none"> 1. We are exploring how we contend with LGR in the context of officer development, retention and recruitment, which will be challenging [Section 4]. 2. We will enhance management capability through a new development programme [Section 4].

⁷ HM Government (2024) Best value standards and intervention: a statutory guide for best value authorities, Dept. for Levelling Up, Housing & Communities. Online available: <https://www.gov.uk/government/publications/best-value-standards-and-intervention-a-statutory-guide-for-best-value-authorities/best-value-standards-and-intervention-a-statutory-guide-for-best-value-authorities#best-value-powers> [last accessed 31/05/24].




<p>3. Governance</p>		<ol style="list-style-type: none"> 1. Internal Audit assessed overall governance at the council to be “reasonable”. 2. We have a risk-based internal audit plan, with regular progress reports brought to Audit and Scrutiny Committee. 3. Performance and risk information is regularly reported to the Corporate Leadership Team and councillors. 4. Key HR policies updated. 	<ol style="list-style-type: none"> 1. We received a ‘No Assurance’ for Environmental Health – Food Hygiene. The majority of the management actions created to address the observations in this audit have been completed. However one, related to recruitment of an additional Environmental Health Officer is overdue. Yet despite pro-active recruitment campaigns, no suitably qualified candidates applied for the vacancy, which is associated with a national shortage of Environmental Health Practitioners and LGR headwinds. The position is filled by agency at present. The other outstanding action was not due until after the time of writing of this report – it is currently on-track [Internal Audit Progress Reports]. 2. Internal Audit raised that while the number of overdue management actions has been higher, they are concerned about the time taken to complete actions and the number of revised target dates that are being set. Hence we will continue to encourage Heads of Service to carefully consider the original target dates they set in related to other (forthcoming) priorities [Internal Audit Progress Reports]. 3. We are reviewing our cyber security response plans to see if added value can be achieved through the consolidation of existing plans [Section 4].
<p>4. Culture</p>		<ol style="list-style-type: none"> 1. We continue to launch new staff intranet sites, which now includes “Community” channels. 2. We have a new staff recognition scheme in place. 3. Staff turnover is on target. 4. We have implemented Team Charters showing how our teams ‘operate’ and their values. 	<ol style="list-style-type: none"> 1. We are exploring how we contend with LGR in the context of officer development, retention and recruitment, which will be challenging [Corporate Performance Report].

5. Use of resources		<ol style="list-style-type: none"> 1. Our new strategic priorities include objectives related to moving from the old part of the Town Hall to the new, completing an Asset review, a new car park strategy, and review of the future of our museum. 2. We are proactive with our treasury management investment, which provides a return that is above target. 3. We received an unqualified (i.e. favourable) opinion on 26 February 2025 regarding our 2023/24 Statement of Accounts. 	<ol style="list-style-type: none"> 1. Temporary accommodation costs continue to place a significant strain on our finances [Corporate Performance Report]. 2. We are looking at how we can increase our resilience with regard to our staff resources in the Place Development team [Section 4]. 3. We're developing a more suitable My Performance Conversation process for our manual workforce [Section 4].
6. Service delivery		<ol style="list-style-type: none"> 1. Service plans, including service risks and performance indicators are in place for 2025/26. 2. We submitted our Local Plan for Inspection on time. 3. We have updated our procurement documents ready for the implementation of the new Procurement Act. 4. Our service delivery key performance indicators have largely all been on track across the year. 	<ol style="list-style-type: none"> 1. We are struggling to recruit permanent officers to the Environmental Health team [Internal Audit Progress Reports, Corporate Performance Report]. 2. We still use several manual processes in the Place Development team are exploring ways to automate these [Section 4]
7. Partnerships and community engagement		<ol style="list-style-type: none"> 1. We have worked effectively with a local partners on delivering government grants and supporting refugee schemes and homelessness prevention over the year. 	<ol style="list-style-type: none"> 1. We are close to completing a new Borough Profile, which should be available in the summer of 2025/26 [Service Delivery Plan]. 2. We are developing a new governance framework that will capture all our partnerships and clearly outline their benefits. This will be completed by the end of September 2025 [Audit Action Tracker].




4. Action Plan

2023-24 Annual Governance Statement Action Plan

The table below contains the latest updates on last year's action plan. Any actions marked as complete will now be deactivated, and any in progress or delayed will continue to be tracked through to completion.



Issues Identified	Original Due Date	Due Date	Commentary	RAG Status	RAG Status	Latest Update
Enhance the resilience of the People & Organisational Development Service by recruiting vacant posts and continuing with multi-role training for new team members	31-Mar-2024	30-Sep-2024	HR Advisor left in December leaving one vacant post. Decision to recruit an HR Administrator and delete an HR Officer post to better meet the needs of the service. All HR posts filled in April 2025 giving capacity for team to progress policy and project work.		Completed	02-May-2025
Review and enhance recruitment and retention policies and procedures for key roles across the council	31-Mar-2024	30-Sep-2025	A new HR Administrator joined on 1st April 2025. The team is now at full capacity which will enable time to focus on this project. Recruitment and retention will be a key strand of HR in light of Local Government Reorganisation. The Council is working with our partners in the Districts & Boroughs on a joint approach where possible. This action will be CARRIED FORWARD.		On track	03-Jul-2025
Review and update IT policies as necessary	31-Mar-2024	31-Dec-2025	Additional elements being considered for inclusion in policies including the secured use of Artificial Intelligence (AI). Policy work is being scheduled to align with		On track	04-Jul-2025

Agenda Item 7

Issues Identified	Original Due Date	Due Date	Commentary	RAG Status	RAG Status	Latest Update
			several high priority IT procurements that are currently underway, This action will be CARRIED FORWARD.			
IT AGS action	31-Mar-2024	31-Dec-2025	Update relates to IT security so cannot be disclosed. Members are requested to contact the report author outside of the committee meeting if they would like the update. This action will be CARRIED FORWARD.		On track	03-Jul-2025
Document management Software - to procure new software to enhance the revenues and benefits service	31-Dec-2024	31-Dec-2024	This item has been completed. The new system has now gone live in Revenues and Benefits. Just a couple of additional modules waiting to go live.		Completed	11-Feb-2025
Biodiversity Net Gain - implement the Biodiversity Net Gain policy requirements	31-Jul-2024	31-Jul-2024	Concern at national level regarding the number of applications which are able to opt out and avoid BNG has meant most authorities have received very few schemes meeting the requirement. Therefore, the impact of BNG has been very limited to date, and we haven't had to introduce any specific measures to deal		Completed	04-Jul-2025

Issues Identified	Original Due Date	Due Date	Commentary	RAG Status	RAG Status	Latest Update
			with it. As such, this no longer represents a significant governance issue that the council can action. Consequently we have closed the action and will instead include it as a risk on our risk register.			
Public Protection Inspections -review resourcing in statutory Environmental Health services, including discretionary activities	31-Mar-2025	31-Mar-2025	This item has been completed.	●	Completed	11-Feb-2025
Audit and Scrutiny Committee-review the Audit and Scrutiny Committee's Terms of Reference	31-Mar-2025	28-Feb-2026	Due to LGR, the council is no longer pursuing its Corporate Peer Challenge action plan, which this action formed a part of. Therefore this action has been superseded by the council's new Strategic Priorities, and will be marked complete for this reason.	●	Completed	03-Jul-2025
Corporate Plan - produce a long-term corporate plan	31-Mar-2025	31-Mar-2025	Strategic Priorities for 25-27 approved at Full Council 6/5/25 - these will supersede old 4 year plan and proposed new 5 year plan.	●	Completed	08-May-2025
Develop a corporate record of the Council's resident engagement activities	31-Mar-2025	31-Mar-2025	This action has been completed. A report was submitted to the Community and Wellbeing Community in October	●	Completed	11-Feb-2025

Agenda Item 7

Issues Identified	Original Due Date	Due Date	Commentary	RAG Status	RAG Status	Latest Update	
Page 115			2024. Areas where there is a need for further activity would be around: • engagement with young people • engagement with advisory groups • ensuring that where E&E are attending events our presence is clearer e.g. with a stand • identify a mechanism to get more feedback from councillors. This is going to be added into BAU activities going forward.				
	Data Protection Officer - source additional Data Protection Officer capacity	31-Oct-2024	31-Oct-2024	This item has been completed. The new DPO service is underway with the first meetings having taken place and full on boarding completed.		Completed	24-Jan-2025
	Councillor Training - review and enhance the councillor training and development programme	31-Mar-2025	31-Oct-2025	At the Strategy and Resources Committee meeting on 23 July 2024, the following action and timescale were agreed: 11.2 Arrange a training for members and		On track	03-Jul-2025

Agenda Item

Issues Identified	Original Due Date	Due Date	Commentary	RAG Status	RAG Status	Latest Update
			<p>officers on committee system governance to understand the role of committees in proper scrutiny of policy. Chief Executive to ask CFGS to run this in Oct 2025.</p> <p>This action will be CARRIED FORWARD.</p>			

2024-25 Additions to the Annual Governance Statement Action Plan

Issues identified	Action to be taken	Due date
Management capability	Enhance management capability to lead through change, by delivering a new development programme.	31 March 2026
Review our cyber security response plans	Review to see if added value can be achieved through consolidation of existing plans.	31 December 2025
Staff resourcing across all teams	Review level of resilience of staff resourcing.	31 December 2025
Manual processes in Place team	Replace manual processes in the Place Development team with automation.	31 March 2026
Appeals related to the Local Plan	Review appeals related to the Local Plan to ensure they do not relate to the governance of the Plan.	30 September 2025
Corporate priorities	In light of LGR, management will consider having a focussed set of corporate priorities for the coming year / 2 years.	31 October 2025
Performance appraisals of the manual workforce	Develop a suitable My Performance Conversation process for our manual workforce.	30 September 2025

5. Executive Confirmation

The Chair of Strategy and Resources Committee and Chief Executive both recognise the importance of good governance and sound financial management. They pledge their commitment to address the matters highlighted in this AGS, and to further enhance our governance arrangements to enable delivery of our strategic priorities. Further, they confirm they have been advised of the implications of the governance review by senior management. In addition, they are assured that the Audit and Scrutiny Committee are satisfied that the steps outlined in this document will ensure that our governance arrangements remain fit for the future.

Signed on behalf of Epsom & Ewell Borough Council:

**Chair of Strategy & Resources
Committee**

Date:

Chief Executive

Date:

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

To be added once audit completes.

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 1 April to the following 31 March.
Accrual	The recognition of income and expenditure as it is earned or incurred, i.e. not as cash received or paid.
Actuary	Independent advisor to the Council on the financial position of the Pension Fund.
Actuarial Valuation	Independent triennial review of the Pension Fund assets, liabilities and reserves, the results of which, including recommended employer's contribution rates, the Actuary reports to the Council.
Agency Arrangement	Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.
Amortisation	The writing off of intangible assets or loan balances to revenue service accounts over an appropriate period of time.
Balances	The surplus or deficit on any account at the end of an accounting period. The term is often used specifically to refer to the availability of unallocated revenue reserves.
Budget	A statement defining the Council's policies over a specified period of time in terms of finance.
Capital Charges	Charges made to individual service revenue accounts to reflect the cost of the assets employed. Charges may include both notional interest and depreciation elements (also referred to as asset rentals).
Capital Expenditure	Expenditure incurred on the purchase or improvement of significant assets including land, buildings and equipment, which will be of use or benefit in providing services for more than one financial year.
Capital Financing Charges	The annual cost of capital, including principal repayments, interest charges and leasing costs.

Capital Receipts	A capital receipt is the income received from the disposal of a capital asset, the repayment of any loan, grant or other financial assistance given for a capital purpose. The receipts can only be used to meet capital expenditure, debts or other long-term liabilities. To qualify as a capital receipt the income must exceed £10k.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.
Collection Fund	A fund administered by the Council as a 'billing authority'. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Surrey Police as required by statute.
Collection Fund Adjustment Account	An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council's element of the Collection Fund balance at year-end.
Contingent Liabilities	Where possible "one-off" future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is inappropriate. Such items are disclosed in the form of a note to the accounts.
Council Tax	The main source of local taxation to local authorities. This is levied on households within its area by the billing authority and the proceeds paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
Creditors	Amounts owed by the Council at the end of the accounting period.
Current Assets/Liabilities	These are assets or liabilities that are expected to fall due or be realised within one year of the reporting date.
Debtors	Amounts owed to the Council at the end of the accounting period.
Depreciation	The measure of the cost of the benefit of the non-current asset that has been consumed during the period.
Earmarked Reserves	Balances set aside to meet specific future, usually non-recurring, commitments.
Fees and Charges	Income receivable as payment for goods or services provided.

Intangible Assets	Capitalised expenditure not resulting in a tangible asset. Such amounts are amortised over an appropriate period.
Minimum Revenue Provision	The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in 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.
REFCUS	Revenue Expenditure funded from Capital Resources Under Statute (REFCUS) is 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.

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