



Epping Forest District Council

AUDIT AND GOVERNANCE COMMITTEE Monday, 19th September, 2016

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

**Council Chamber, Civic Offices, High Street, Epping
on Monday, 19th September, 2016
at 7.00 pm .**

**Glen Chipp
Chief Executive**

**Democratic Services
Officer**

Gary Woodhall
(Governance Directorate)
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors: J Knapman (Chairman), L Hughes, R Jennings, A Patel and J M Whitehouse.

Independent: A Jarvis (Vice-Chairman) and N Nanayakkara

WEBCASTING/FILMING NOTICE

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If you have any queries regarding this, please contact the Public Relations Manager on 01992 564039.

1. WEBCASTING INTRODUCTION

I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.

2. APOLOGIES FOR ABSENCE

(Director of Governance) To be announced at the meeting.

3. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

4. MINUTES

(Director of Governance) To confirm the minutes of the last meeting of the Committee held on 27 June 2016 (previously circulated).

5. MATTERS ARISING

(Director of Governance) To consider any matters arising from the previous meeting.

6. AUDIT & GOVERNANCE WORK PROGRAMME 2016/17 (Pages 5 - 6)

(Director of Governance) To consider the attached Work Programme for 2016/17.

7. UPDATED ANNUAL GOVERNANCE STATEMENT 2015/16 (Pages 7 - 16)

(Chief Internal Auditor) To consider the attached report (AGC-005-2016/17).

8. ANNUAL OUTTURN REPORT ON THE TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2015/16 (Pages 17 - 40)

(Director of Resources) To consider the attached report (AGC-006-2016/17).

9. AUDIT OF ACCOUNTS - ANNUAL GOVERNANCE REPORT 2015/16 (Pages 41 - 74)

(External Auditor) International Standard on Auditing 260 requires the External Auditor to report to those charged with governance certain matters before they give an opinion on the Statutory Statement of Accounts. The External Auditor has indicated that their audit of the Council's Statutory Statement of Accounts for 2015/16 is nearly complete and that they wish to present their ISA260 report to this meeting. (AGC-007-2016/17).

10. STATUTORY STATEMENT OF ACCOUNTS 2015/16 (Pages 75 - 162)

(Director of Resources) To consider the attached report (AGC-008-2016/17).

11. INTERNAL AUDIT MONITORING REPORT - JUNE TO SEPTEMBER 2016 (Pages 163 - 174)

(Chief Internal Auditor) To consider the attached report (AGC-009-2016/17).

12. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972 require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

13. EXCLUSION OF PUBLIC AND PRESS

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers:

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the meeting. Inspection of background papers can be arranged by contacting either the

Responsible Officer or the Democratic Services Officer for the particular item.

Audit & Governance Committee Work Programme 2016/17

27 June 2016

- Internal Audit Annual Report 2015/16.
- Audit & Governance Committee Annual Report.
- Annual Governance Statement.
- Internal Audit Progress Report.

19 September 2016

- Treasury Management Annual Outturn Report.
- Statutory Statement of Accounts.
- Internal Audit Progress Report.

- ❖ Annual Governance Report 2015/16.

28 November 2016

- Treasury Management Mid-Year Report.
- Internal Audit Progress Report.
- Review of the Internal Audit Charter
- Review of the Audit and Governance Committee Terms of Reference.

- ❖ Annual Audit Letter 2015/16.

6 February 2017

- Treasury Management Investment & Strategy Statements.
- Internal Audit Progress Report.

- ❖ Grant Claims Audit Report 2015/16.

27 March 2017

- Effectiveness of Risk Management.
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2017/18.
- Internal Audit Compliance with the Public Sector Internal Audit Standards
- Corporate Fraud Team Strategy 2017/18

- ❖ Planning Letter 2017/18.
- ❖ Audit Plan 2016/17.

Unallocated Items

- Review of the Audit and Governance Committee Effectiveness.
- Information Regarding the Whistle Blowing Policy.

Key

- EFDC Officer Report.
- ❖ External Auditor Report.

N.B...In addition, the Committee's annual private meetings with the External (7pm) and Internal (7.15pm) Auditors are scheduled to take place prior to the 27 March 2017 meeting in the Conference Room.

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: **AGC-005-2016/17**

Date of meeting: **19 September 2016**

Portfolio: Governance and Development Management

Subject: Updated Annual Governance Statement 2015/16

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) The Committee is requested to consider, comment upon and approve the Annual Governance Statement for 2015/16

Executive Summary:

The Audit and Governance Committee at their June 2016 meeting approved the 2015/16 Annual Governance Statement (AGS), subject to minor wording changes which can be identified as track changes in the AGS below.

As a reminder, the Council's Statutory Statement of Accounts have been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). The arrangements are designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements need to be improved.

Reasons for Proposed Decision:

To provide the Committee with the opportunity to scrutinise the Annual Governance Statement.

Other Options for Action:

No other options.

Report:

1. The Council's Statutory Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined 'proper practice', there is a mandatory requirement to publish an Annual Governance Statement (AGS). In accordance with good practice the governance statement has included the following information:
 - (a) an acknowledgement of responsibility for ensuring there is a sound system of governance;
 - (b) an indication of the level of assurance that the systems and processes that

comprise the Authority's governance can provide;

- (c) a brief description of the key elements of the governance framework, including reference to group or partnership activities where those activities are significant;
 - (d) a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements; and
 - (e) an outline of the actions taken, or proposed, to deal with significant governance issues.
2. The production of an AGS enables the Authority to use the review process positively and proactively to deliver assurance about governance arrangements within the Authority to stakeholders, and to develop better arrangements where the review finds areas in need of improvement. The process involves a comparison of achievements against the principles set out in the Authority's Local Code of Governance, and supports an intention and commitment to provide good governance.
 3. The Annual Governance Statement is the product of an annual review by the Authority, of the effectiveness of the Council's governance arrangements. This includes an assessment of the effectiveness of its internal control arrangements. The AGS is published with the Statement of Accounts.
 4. The AGS is derived partly from detailed reviews by all Service Directors of the effectiveness of the governance arrangements operating within their Directorate, by reference to a detailed checklist incorporating the key elements within the Local Code of Governance. As part of this process Directors have considered available evidence to demonstrate that these governance systems and processes are working effectively and as intended. All Directors have provided assurance statements indicating the level of assurance that can be placed on the effectiveness of key controls operating at service level. These statements are intended to be a balanced representation of the arrangements in place during the year, and to highlight those areas where improvement is required. Significant issues are commented upon in the Governance Statement.
 5. Internal Audit focuses its work on providing an independent and objective opinion on the Council's internal controls, and submits an annual report and quarterly monitoring reports to this Committee, where significant audit findings and improvement areas are highlighted. The Chief Internal Auditor is required to include in the annual audit report an opinion on the overall adequacy and effectiveness of the Council's internal control environment, drawing attention to any issues that are relevant to the preparation of the Governance Statement. The annual audit report for 2015/16 is included on the agenda for this meeting, and includes an opinion that satisfactory assurance can be given regarding the adequacy of the Council's internal control system in 2015/16.

Resource Implications:

From existing resources.

Legal and Governance Implications:

Completion and approval of the Annual Governance Statement is required by the Accounts and Audit (England) Regulations 2015.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group and Service Directors.

Background Papers:

The following papers referred to in the preparation of the report are not attached as appendices but are available for public or Councillor study:

Accounts and Audit (England) Regulations 2011

Delivering Good Governance in Local Government (Framework and Guidance Note for English Authorities) CIPFA/SOLACE

Risk Management:

The preparation of the Annual Governance Statement is a key part of the Council's governance arrangements in demonstrating that there is a continuous review of the Council's internal control and risk management systems.

Due Regard Record

This page shows which groups of people are affected by the subject of this report. It sets out how they are affected and how any unlawful discrimination they experience can be eliminated. It also includes information about how access to the service(s) subject to this report can be improved for the different groups of people; and how they can be assisted to understand each other better as a result of the subject of this report. S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
19/09/16 Chief Internal Auditor	The report is a review of the Governance arrangements within the Council and has no equality implications.

EPPING FOREST DISTRICT COUNCIL

Annual Governance Statement 2015-16

1. Scope of responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2015, in relation to the publication of a Statement on Internal Control.

2. The purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following core principles.

- (i) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- (iii) Promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and management of risk.
- (v) Developing the capacity and capability of Members and officers to be effective.
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2016 and up to the date of approval of this Statement and the Statement of Accounts.

The Governance Framework	
	The key elements of the Council's governance arrangements for 2015/16 were:
1	The corporate plan covering 2015-2020, setting out the Council's priorities and defining the goals to be achieved
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> 2.1 sets out the Council's decision-making framework; 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer); 2.3 includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and 2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee
6	An Audit and Governance Committee
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer, Director of Communities and the Chief Internal Auditor, meeting monthly
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
11	A Medium Term Financial Strategy which informs service planning and budget setting,
12	A compliments and complaints procedure

13	A risk-based approach to internal audit, emphasising the need for sound control and good value
14	A robust whistle blowing policy and process along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti-money laundering policies.

3. Review of effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework:

Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively. For the first time, these were completed by the Directors in conjunction with their Assistant Directors;

Documentary evidence of processes, procedures and standards:

Creation of a Corporate Fraud Team from 1 April 2015, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of full, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems;

The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;

Significant governance issues from previous years and from 2015/16.

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, who monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table one below.

Table One: Progress on significant governance issues identified in the 2014/15 AGS

No.	Significant issue identified in 14/15 AGS	Action taken in 15/16 to address the issue
1	Car Parking Income In 2013/14 it was reported in the Annual Governance Statement that as part of an internal audit review of the contracted service it was identified that there were limitations in the information supplied by North Essex Parking Partnership (NEPP) which affected the monitoring and reconciliation of the income. During 2014/15 this problem was resolved but following the contracting out of cash collection by NEPP a similar problem was	This issue was addressed by management and by the internal audit sections of the Councils which are members of the NEPP following a meeting with the cash collection contractor. The introduction of new ticket machines in 2015/16 has greatly improved the monitoring of the pay and display income received.

	identified in the information provided by the cash collection contractor.	
2	Housing rent reconciliations A Limited Assurance audit report was issued for Housing Rent Collection and Arrears, due to the Rental Income reconciliation and Council Stock reconciliation had not been completed for 2013/14.	Staff from both the Communities and Resources Directorates have worked together to resolve the issue; the Council Stock reconciliation had been completed by the time the final report was issued, and the Rental Income reconciliations are carried out on a monthly basis.
3	Contract Standing Orders A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders.	A Contract Standing Orders Working Party, chaired by the Director of Communities, was set up to undertake a fundamental review of the Council's Contract Standing Orders. New Contract Standing Orders (known as Procurement Rules) were approved by Council on 26 April 2016. These are being widely communicated across the Council, supplemented with training sessions, to help ensure compliance.
4	Sundry Debtors Internal audit reviews in 2014/15 also identified weaknesses in debt recovery processes, especially for debts below £500.	The Corporate Debt Working Group, chaired by the Assistant Director Revenues, has overseen the implementation of recommendations made to the Management Board in February 2015.

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

Table Two: Areas for improvement or monitoring during 2016/17

No.	Issue	Management response
1	Procurement Rules A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders as these had developed over time and were difficult to follow. On 26 April 2016 Council approved the new Procurement Rules, which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and are more responsive to the current and future procurement needs of the Council.	Staff are currently being trained on the Council's new Procurement Rules and mechanisms are being developed to ensure compliance with these.
2	Corporate Policies A need to raise awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of this year's Service Assurance Statements.	A review of the Council's anti-fraud and corruption framework will be spearheaded by the Corporate Fraud Team this year and will include a review of the Council's Whistleblowing Policy and Officer Code of Conduct; the results

		of which will be promulgated to staff.
3	Project Management Service Assurance Statements also identified a need to develop project management processes and provide training in this area.	A Project and Programme Management project team has been set up, sponsored by the Chief Executive, and is meeting regularly to address this issue.

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

Signed

Glen Chipp
Chief Executive

Signed

Councillor Chris Whitbread
Leader of the Council

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Report to the Audit & Governance Committee



**Epping Forest
District Council**

Report reference: AGC-006-2016/17
Date of meeting: 19 September 2016

Portfolio: Finance

Subject: Annual Outturn Report on the Treasury Management and Prudential Indicators for 2015/16.

Responsible Officer: Simon Alford (01992 564455).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To consider how the risks associated with Treasury Management have been dealt with during 2015/16;**
- (2) To consider the proposed minor changes to the Council's Treasury Management Strategy Statement and Investment Strategy; and**
- (3) To make any comments or suggestions that Members feel necessary to the Cabinet.**

Executive Summary:

The annual treasury management outturn report is a requirement of the Council's reporting procedures. It covers the treasury activity for 2015/16 and confirms that there were no breaches of policy during the year.

The risks associated with the treasury function are highlighted within the report along with how these risks were managed during the year.

In constructing the Treasury Management Strategy Statement and Investment Strategy for 2016/17 to 2018/19 some very prudent restrictions were applied to some classes of investments. It has become evident that these restrictions are too prudent and cause operational difficulty in managing the Council's cash flow. Some minor changes are proposed that will ease the operational difficulties without adding significantly to the risk profile of the Council's investments.

This report and the appendices will be considered by the Finance and Performance Management Cabinet Committee on 15 September and an oral update will be provided.

Reasons for Proposed Decision:

The proposed decision is necessary in order to show that the risks associated with the treasury strategy were managed during the year and to comply with the requirements of the CIPFA Code of Practice on Treasury Management on reporting on the performance of the treasury activity.

Other Options for Action:

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

Members could propose that either no amendments to the Treasury Management Strategy Statement and Investment Strategy are appropriate or that amendments different to those recommended should be made.

Report:

Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management), which includes the requirement for reporting on the treasury outturn on the financing and investment activity for the previous year.

2. The report attached at appendix 1 shows the Treasury Management Outturn Report for 2015/16 in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

Capital Activity in the Year

3. The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through capital receipts, grants etc; or through borrowing.

4. The Council had planned to borrow to finance its capital investments, although as spending was lower than anticipated no borrowing was necessary. The capital programme outturn is shown below in the table:

Capital Expenditure	2015/16 Original £m	2015/16 Revised £m	2015/16 Actual £m
Non-HRA capital expenditure	7.476	32.012	23.488
HRA capital expenditure	18.952	17.905	13.811
Total Capital expenditure	26.428	49.917	37.299
Financed by:			
Capital grants	1.395	3.393	3.725
Capital receipts	8.002	16.373	19.046
Revenue	17.031	17.597	14.528
Borrowing	0	12.554	0
Total resources Applied	26.428	49.917	37.299
Closing balance on:			
Capital Receipts	4.662	7.523	3.788
Major Repairs Reserve	5.683	9.523	12.291

5. The closing balance on capital receipts is after taking into account new receipts being generated from the right to buy sales and for major repairs reserve the major repairs allowance received in the year.

6. The financial risk involved within the Capital Activity is the impact on reducing the

balance of usable capital receipts over the next three years. This risk has the following potential consequences; loss of interest; loss of cover for contingencies; service reductions required; and large Council Tax increases required.

7. The table above shows that the combined balances on Capital Receipts and Major Repairs Reserve are lower than expected. However, the anticipated borrowing of £12.6 million did not take place. Overall this means that moving forward the Council is in a similar position to that estimated and therefore it can be concluded that adequate resources still exist for the Capital Programme in the medium term.

The impact on the Council's indebtedness for capital purposes

8. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. The Council has borrowed £185.456m to finance the payment to Government for Housing Self-Financing. This resulted in the Council CFR becoming an overall positive CFR (HRA and Non-HRA). No further borrowing was incurred in 2015/16.

CFR	Original 31-Mar-16 £m	Revised 31-Mar-16 £m	Actual 31-Mar-16 £m
Non-HRA	59.6	43.5	29.6
HRA	155.1	155.1	155.1
Closing balance	214.7	198.6	184.7

9. The Council did not breach the Authorised Limit (set at £230m for 2015/16) or the Operational Boundary (set at £219m for 2015/16) and the Maturity Structure of Fixed Rate Borrowing (restricted to 30 years and below).

10. The risks for Councils are associated with affordability, interest rates and refinancing – the affordability risk is whether the Council can afford to service the loan, this was achieved through the Council producing a viable thirty-year financial plan. This plan continues to be reviewed quarterly by officers and half yearly reports are presented to the Housing Scrutiny Panel. The interest rate risk is whether a change in interest rate could have an impact on the viability of the financial plan. Only 17% of the amount borrowed in 2011/12 was at a variable rate, the remainder were fixed at preferential rates. Any upward movement in interest rates would be 'hedged' by a corresponding increase in interest earned on Council investments. The refinancing risk is that maturing borrowings, capital project or partnership financing cannot be refinanced on suitable terms. Within the financial plan it is anticipated that all borrowing will be repaid on maturity and any borrowing to support future capital expenditure can easily be obtained from other local authorities or the PWLB.

The Council's treasury position

11. The table below shows the Council's level of balances for 2015/16.

Treasury position	Original 31-Mar-2016 £m	Revised 31-Mar-16 £m	Actual 31-Mar-16 £m
Usable Reserves	45.8	45.0	46.9
Working Capital	15.0	45.0	46.0

12. It is important that the cash flow of the Council is carefully monitored and controlled to

ensure enough funds are available each day to cover its outgoings. This will become more difficult as the Council uses up capital receipts and reduces investment balances.

13. The Council did not breach any of the following indicators:

- a) The Maximum Upper Limit for Fixed Rate Exposure during 2015/16 was 83% for Debt and 71% for Investments (limit set at 100%) and Maximum Upper Limit for Variable Rate Exposure during 2015/16 was 17% on Debt and 29% on Investments (limit set at 25% and 75% respectively);
- b) The maximum amount of the portfolio being invested for longer than 364 days was £0m (limit set at £30m); and
- c) The maximum limit for investment exposure outside of the UK was set at 30%. The outturn was comfortably inside this at 12%, comprising an average £1m in Sweden, 2% and Standard Life MMF is domiciled in Guernsey so is also Non-UK with an average £5m, 10%.

14. The risks associated with this section are as follows:

- a) Credit and Counterparty Risk – the risk of failure by a third party to meet its contractual obligations to the Council, i.e. goes into liquidation. The Council's counter-party lists and limits reflect a prudent attitude towards organisations with which funds may be deposited and these are regularly updated by our treasury advisors.
- b) Liquidity Risk – the risk that cash will not be available when it is needed, incurring additional unbudgeted costs for short-term loans. The Director of Resources has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of instant access accounts are used to ensure adequate cash remains available.
- c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council allows a maximum of 75% of its investments to be invested in variable rates, and the remainder are in fixed rate deposits. This allows the Council to receive reasonable rates, whilst at the same time, gives the Council flexibility to take advantage of any changes in interest rates.

15. The prudential indicators within this section assist the Council to reduce the risk of:

- a) Counterparties going into liquidation by ensuring only highly rated institutions are used when investing the Council's money.
- b) The Council incurring unbudgeted short-term loans, to pay unexpected expenditure items through ensuring adequate level of money is available immediately through instant access accounts.
- c) Potentially losing out on investment income when interest rates start to increase by ensuring that the majority of deposits are kept within one year.

Changes to the Current Treasury Management Strategy Statement and Investment Strategy

16. Since the approval of the Strategy by Council on 18 February 2016 it has become apparent that three of the limits within the Strategy are excessively prudent and obstruct the efficient management of the Council's cash flow. Therefore the following changes are

proposed -

Local Authorities as a group limit – increase from £20m to £25m.
Money Market Funds as a group limit – increase from £15m to £20m.
NatWest (the Council's banker) – increase from £2.5m to £5m.

17. The Council's treasury advisers, Arlingclose, have been consulted on the proposals and have confirmed that they are acceptable as long as money is only left with NatWest overnight.

18. Any change to the Strategy requires approval from Council so Members are invited to make comments on the recommended changes to the Cabinet so they can consider them before the proposals progress to Council.

Summary

19. The Council has continued to finance its capital programme through using internal resources. Combined balances on Capital Receipts and Major Repairs Reserve at the year-end were broadly similar to the anticipated closing balances, meaning the Council still has adequate resources going forward to finance its medium term capital programme. The Council procured no new borrowing and did not breach any of the treasury prudential indicators during the year.

Resource Implications:

As outlined within the report.

Legal and Governance Implications:

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10 or subsequently);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November

2007.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Council's external treasury advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

Background Papers:

The report on the Council's Prudential Indicators for 2015/16 and the Treasury Management Strategy for 2015/16 to 2016/17 went to Council on 17 February 2015.

Risk Management:

As detailed in the report, a risk aware position is adopted to minimise the chance of any loss of the capital invested by the Council. The specific risks associated with the different aspects of the treasury management function have been outlined within the main report.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

No groups of people are affected by this report which is not directly service related.

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1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Council's Treasury Management Strategy for 2015/16 was approved by full Council on 17th February 2015 which can be accessed on :-

<http://rds.eppingforestdc.gov.uk/documents/s60735/Treasury%20Management%20Statement.pdf>

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. External Context

Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly in economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

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Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in significant volatility in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

Local Context

At 31/03/2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £185m, while usable reserves and working capital which are the underlying resources supporting investments were £93m.

At 31/03/2016, the Council had £185m of borrowing and £52m of investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £10m.

The Council has an increasing CFR over the forthcoming years due to the capital programme, but minimal investments and will therefore be required to borrow up to £16m over the forecast period. Probably from other Local Authorities.

Borrowing Strategy

At 31/03/2016 the Council held £185m of loans, as part of its strategy for funding Housing Self-Financing.

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the

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proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Council determined it was more cost effective in the short-term to use internal resources instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive. Although the use of internal resources has meant that it has not yet been necessary to use this source of finance.

Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2016 £m	Avg Rate % and Avg Life (yrs)
Capital Financing Requirement (CFR)	184.7				184.7	
Short Term Borrowing ¹	0	0	0	0	0	
Long Term Borrowing - Maturity loans - EIP loans - Annuity Loans	185.5	0	0	0	185.5	3% - 21.5 years
TOTAL BORROWING	185.5	0	0	0	185.5	
Other Long Term Liabilities	0	0	0	0	2.9 ²	
TOTAL EXTERNAL DEBT	185.5	0	0	0	188.4	
Increase/ (Decrease) in Borrowing £m					2.9	

Debt Rescheduling:

The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

¹ Loans with maturities less than 1 year.

² Notional Finance Lease associated with Loan to Waste Contractor. Accounting standards require the Council to show the substance over form of certain transactions. An asset for the Biffa Vehicles is set up in the Council's balance sheet. This entry is the corresponding liability.

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Investment Activity

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Council's investment balances have ranged between £54.4 and £72.1 million.

The Department for Communities and Local Governments Investment Guidance gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2016 £m	Avg Rate/Yield (%) and Avg Life years)
Short term Investments (call accounts, deposits) - Banks and Building Societies with ratings of A- or higher - Local Authorities - Unrated banks building societies	47.4	110.5	117.8	40.1	0.57% 143 days
Long term Investments - Banks and Building Societies with ratings of A+ or higher - Local Authorities	5	0	5	0	1.3% 365 days
UK Government: - DMADF - Treasury Bills - Gilts	0	0	0	0	
Money Market Funds	15	38	41.5	11.5	0.46%
TOTAL INVESTMENTS	67.4	148.5	164.3	51.6	
Increase/ (Decrease) in Investments £m				(15.8)	

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

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The Council will also consider the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2015	A+	5.10	AA-	3.98
30/06/2015	A+	4.53	AA-	4.09
30/09/2015	A+	5.34	AA-	4.44
31/12/2015	A+	5.19	AA-	4.34
31/03/2016	AA-	4.33	AA-	3.80

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

-D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security. NB AA- is better than A+.

Counterparty Update

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. As a result of this the Council made the decision to suspend Deutsche Bank as a counterparty for new unsecured investments. S&P also revised the outlook of the UK as a whole

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to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy.

National Australia Bank (NAB) announced its plans to divest Clydesdale Bank, its UK subsidiary. NAB listed Clydesdale on the London Stock Exchange and transferred ownership to NAB's shareholders. Following the demerger, Fitch and Moody's downgraded the long and short-term ratings of the bank.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In September, Volkswagen was found to have been cheating emissions tests over several years in many of their diesel vehicles. The council's treasury advisor, Arlingclose Ltd, recommended suspending VW (as a non-financial corporate bond counterparty) for new investments. As issues surrounding the scandal continued, there were credit rating downgrades across the Volkswagen group by all of the ratings agencies. Volkswagen AG is now (as at 11/04/16) rated A3, BBB+ and BBB+ by Moody's, Fitch and S&P respectively. Volkswagen International Finance N.V is rated A3 and BBB+ by Moody's and Fitch respectively and Volkswagen Financial Services N.V. is now rated A1 by Moody's. Arlingclose continues to monitor the situation.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. As part of this, Bank Nederlandse Gemeeten was moved to the list of bond issuers from the unsecured bank lending list and assigned an increased recommended duration limit of 5 years.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Council therefore increasingly favoured secured investment options or diversified alternatives such as non-bank investments and pooled funds over unsecured bank and building society deposits.

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Budgeted Income and Outturn

The average balance for investment was £59.6m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 2). New deposits were made at an average rate of 0.70%. Investments in Money Market Funds generated an average rate of 0.46%.

The Council's budgeted investment income for the year was £528k. The Council's investment outturn for the year was £551k.

Compliance with Prudential Indicators

The Council confirms compliance with its Prudential Indicators for 2015/16, which were approved on 17th February 2015.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount or the proportion of net principal borrowed or interest payable will be:

D = Debt I=Investment	2015/16 %	2016/17 %	2017/18 %
Upper limit on fixed interest rate exposure	100 D/100 I	100 D/100 I	100 D/100 I
Actual	83 D / 71 I		
Upper limit on variable interest rate exposure	25 D/75 I	25 D/75 I	25 D/75 I
Actual	17 D / 29 I		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

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Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual
Under 12 months	100%	0%	0%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	17%
10 years and within 20 years	100%	0%	0%
20 years and within 30 years	100%	0%	83%
30 years and within 40 years	100%	0%	0%
40 years and within 50 years	100%	0%	0%
50 years and above	100%	0%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£30m	£30m	£30m
Actual	£0m		

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	A-	A+

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£20m	£38m

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Investment Training Undertaken

King and Shaxson training on new investment methods and the custody account they offer, October 2015 - one Officer.

Members Treasury Training 14th January 2016.

Changes to Treasury Management Strategy Statement and Investment Strategy for 2016/17 to 2018/19

Since the approval of the Strategy above by the Council on the 18th February 2016.

The following counter party limits require amendment.

These were prudently changed in accordance with the recommendations of Arlingclose, the Council's Treasury Advisers. But experience has shown that they are too prudent and cause operational difficulties in managing the Council's cashflow.

NatWest Limit increase from £2.5m to £5m.

Local Authorities as a Group Limit increase from £20m to £25m

Money Market Funds as a Group increase from £15m to £20m

Arlingclose have been consulted on these proposals and have confirmed that in their view the changes are acceptable as long as money is only left with NatWest on an overnight basis.

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Appendix 1

Prudential Indicators 2015/16

The Local Government Act 2003 requires the Council to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
General Fund	23.488	2.071	1.151
HRA	13.811	22.003	20.176
Total Expenditure	37.299	24.074	21.327
Capital Receipts	19.046	4.537	3.212
Government Grants	3.725	0.390	0.355
Reserves	6.477	0	0
Revenue	8.051	7.912	10.305
Borrowing	0	0	0
MRA	0	11.235	7.455
Total Financing	37.299	24.074	21.327

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
General Fund	29.6	59.6	59.6
HRA	155.1	155.1	155.1
Total CFR	184.7	214.7	214.7

The CFR is forecast to rise by £30m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	185.456	190	200
Finance leases	0	0	0
Total Debt	185.456	190	200

Total debt is expected to fall below the CFR during the forecast period. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	219	219	219
Total Debt	219	219	219

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	230	230	230
Total Debt	230	230	230

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %
General Fund	0.51	-0.83	-1.22
HRA	16.64	15.03	14.47

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Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
General Fund - increase in annual Band D Council Tax	-0.28	0.15	-0.06
HRA - increase in average weekly rents	0.02	0.01	-16.8

Adoption of the CIPFA Treasury Management Code: The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice*, on the 22nd April 2002.

HRA Limit on Indebtedness: The Authority's HRA CFR should not exceed the limit imposed by the Department for Communities and Local Government at the time of implementation of self-financing. The Authority complied with this requirement.

HRA CFR Limit:	£185.457m		
	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
HRA CFR	155.1	155.1	155.1
Difference	30.357	30.357	30.357

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Appendix 2

Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below. Please note that the PWLB rates below are Standard Rates.

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
31/10/2015	0.50	0.36	0.41	0.43	0.54	0.77	1.00	0.97	1.16	1.49
30/11/2015	0.50	0.30	0.42	0.43	0.54	0.88	1.00	0.93	1.10	1.39
31/12/2015	0.50	0.43	0.35	0.43	0.54	0.76	1.01	1.09	1.30	1.58
31/01/2016	0.50	0.43	0.42	0.43	0.54	0.71	0.99	0.77	0.89	1.14
29/02/2016	0.50	0.25	0.43	0.43	0.54	0.73	0.99	0.71	0.74	0.85
31/03/2016	0.50	0.30	0.44	0.52	0.62	0.71	0.93	0.79	0.84	1.00
Average	0.50	0.38	0.45	0.43	0.54	0.76	0.99	0.96	1.14	1.43
Maximum	0.50	0.48	0.58	0.57	0.66	0.92	1.02	1.17	1.44	1.81
Minimum	0.50	0.17	0.35	0.43	0.51	0.55	0.84	0.68	0.73	0.85
Spread	--	0.31	0.23	0.14	0.15	0.37	0.18	0.49	0.71	0.96

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	127/15	1.33	2.10	2.69	3.24	3.37	3.32	3.31
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
31/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
31/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
31/10/2015	423/15	1.44	2.38	2.93	3.56	3.65	3.56	3.53
30/11/2015	465/15	1.42	2.23	2.85	3.48	3.54	3.42	3.39
31/12/2015	505/15	1.41	2.38	3.01	3.61	3.68	3.56	3.53
31/01/2016	040/16	1.24	1.96	2.62	3.28	3.37	3.23	3.20
29/02/2016	082/16	1.27	1.73	2.43	3.23	3.36	3.24	3.19
31/03/2016	124/16	1.33	1.81	2.48	3.21	3.30	3.16	3.12
	Low	1.21	1.67	2.30	3.06	3.17	3.05	3.01
	Average	1.41	2.20	2.85	3.46	3.54	3.45	3.42
	High	1.55	2.55	3.26	3.79	3.87	3.80	3.78

Annual Treasury Outturn Report 2015/16

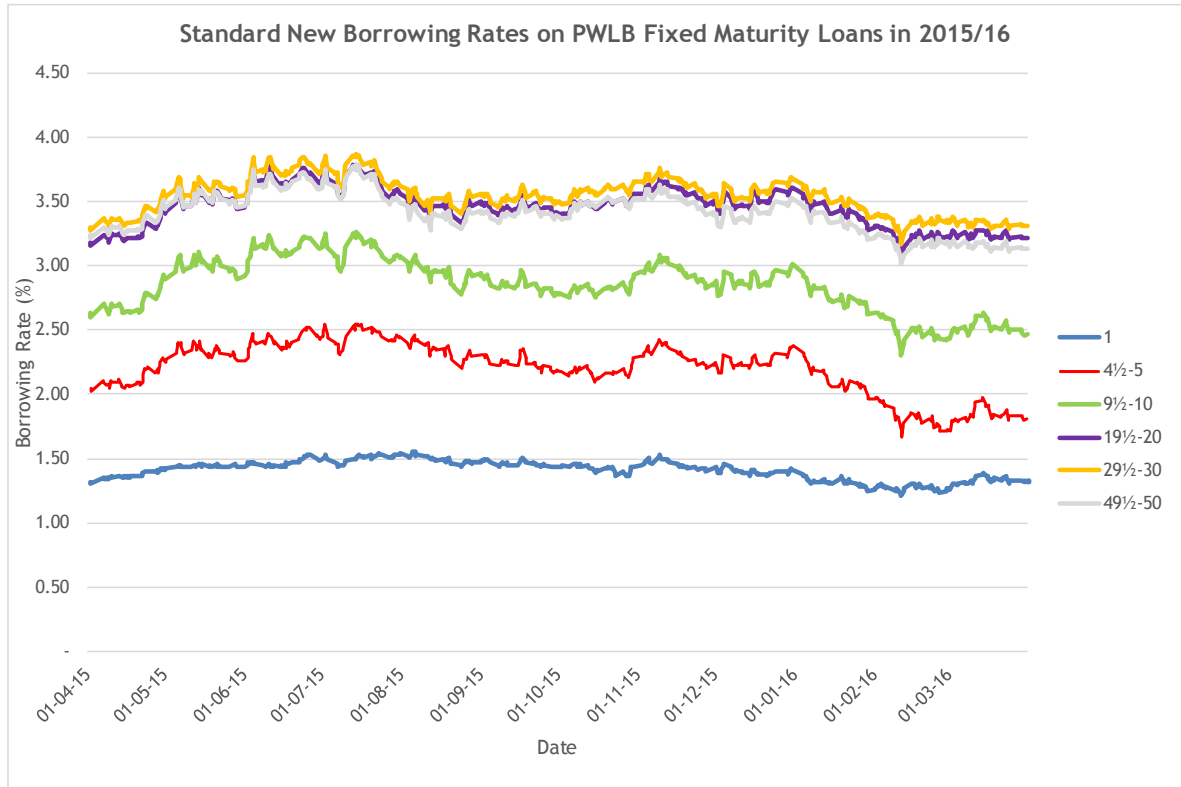


Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	127/15	1.66	2.14	2.71	3.03	3.24	3.35
30/04/2015	166/15	1.79	2.31	2.92	3.24	3.45	3.54
31/05/2015	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2015	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2015	294/15	1.96	2.50	3.09	3.39	3.57	3.63
31/08/2015	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2015	379/15	1.76	2.23	2.82	3.19	3.43	3.51
31/10/2015	423/15	1.81	2.32	2.96	3.33	3.57	3.66
30/11/2015	465/15	1.79	2.27	2.87	3.25	3.49	3.56
31/12/2015	505/15	1.89	2.42	3.03	3.39	3.62	3.70
31/01/2016	040/15	1.54	2.00	2.65	3.04	3.29	3.38
29/02/2016	082/16	1.42	1.77	2.46	2.95	3.24	3.36
31/03/2016	124/16	1.50	1.85	2.51	2.96	3.22	3.31
	Low	1.36	1.70	2.33	2.78	3.07	3.18
	Average	1.76	2.25	2.88	3.24	3.47	3.55
	High	1.99	2.60	3.28	3.61	3.79	3.87

Annual Treasury Outturn Report 2015/16

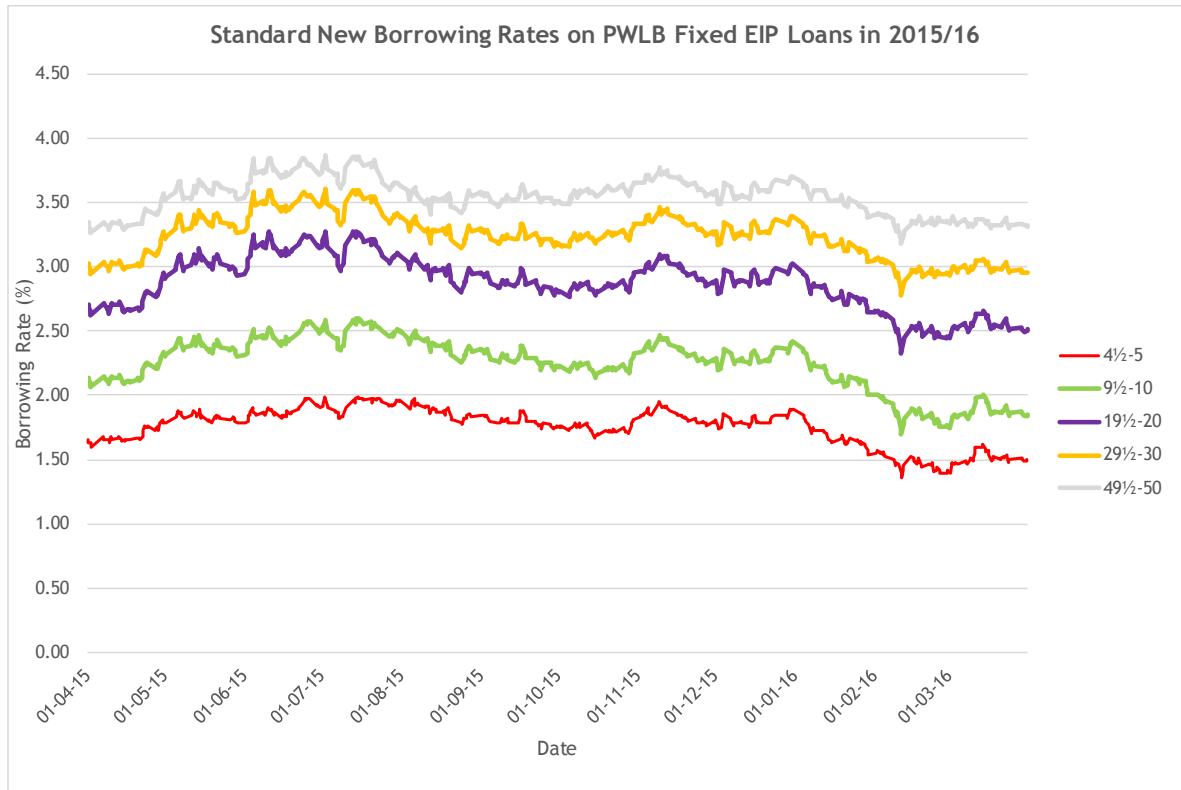


Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
31/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
31/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
31/10/2015	0.66	0.67	0.76	1.46	1.56	1.57
30/11/2015	0.64	0.67	0.72	1.54	1.57	1.62
31/12/2015	0.63	0.65	0.72	1.53	1.55	1.62
31/01/2016	0.64	0.66	0.69	1.54	1.56	1.59
29/02/2016	0.63	0.65	0.68	1.53	1.55	1.58
31/03/2016	0.61	0.65	0.67	1.51	1.55	1.57
Low	0.61	0.61	0.66	1.51	1.51	1.56
Average	0.63	0.66	0.71	1.53	1.56	1.61
High	0.67	0.69	0.78	1.57	1.59	1.68

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EPPING FOREST DISTRICT COUNCIL

REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

Audit for the year ended 31 March 2016 - Issued - 7 September 2016



Agenda Item 9

PURPOSE AND USE OF THIS REPORT

We present our report to the Audit and Governance Committee which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and providing our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements and provide a value for money conclusion, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Governance Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.



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SUMMARY

AUDIT SCOPE AND OBJECTIVES

- We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to the resolution of matters set out in the outstanding matters section of this report
 - There were no significant changes to our planned audit approach nor were any restrictions placed on our work
 - We identified one additional significant audit risk, relating to the valuation of land and buildings, during the course of our audit procedures subsequent to our Audit Planning Report to you dated 14 March 2016
- Our materiality levels have not required reassessment since our audit planning referred to above.

KEY AUDIT AND ACCOUNTING MATTERS

- The key matters that have arisen in the course of our audit are summarised below:
 - i. Following a review of infrastructure and community assets, officers identified a number of assets for which the Council is no longer responsible. These assets have been written out of the accounts. Although officers engaged with us to discuss possible accounting treatments, no working paper was prepared to support the initial treatment applied, which was found to be incorrect. Management amended the financial statements to reflect the correct treatment.
 - ii. The related parties identified in the draft financial statements did not meet the definition of such transactions as defined by accounting standards. We identified that no formal assessment of the relationships disclosed had taken place. Management have removed the incorrect disclosures from the financial statements.
 - iii. We have tested a sample of assets from the asset register to confirm their existence. We have identified that the Council are unable to confirm the location of some works relating to off-street parking associated with Council dwellings due to the time elapsed since the expenditure was incurred.

AUDIT OPINION

- Subject to the successful resolution of outstanding matters set out in the outstanding matters section of this report we anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016
- We have no matters to report in relation to the annual governance statement
- We are satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and we anticipate issuing an unqualified value for money conclusion for the year ended 31 March 2016.

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT AND GOVERNANCE COMMITTEE

- The Council is below the audit threshold for a full assurance review of the Whole of Government Accounts (WGA) return
- Our observations on the quality of the audit and our audit independence and objectivity and related to matters are set out in Appendices VIII and V below.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and that we have concluded are “significant audit risks”, in the 2015/16 Audit Planning Report dated 14 March 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Council’s internal control environment and draft financial statements. We have identified a further significant risk in relation to the valuation of land and buildings.

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NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	<p>Auditing standards presume that a risk of management override of controls is present in all entities.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We reviewed the appropriateness of journal entries and other adjustments to the financial statements.</p> <p>We also reviewed accounting estimates for evidence of possible bias and obtained an understanding of the business rationale of significant transactions that appeared to be unusual.</p>	<p>No issues have been identified in our review of the appropriateness of journal entries and other adjustments made to the financial statements.</p> <p>Our work on accounting estimates has not identified any evidence of bias.</p>
REVENUE RECOGNITION	<p>Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council’s stated accounting policies or from an inappropriate use of estimates in calculating revenue.</p> <p>We consider that, due to the nature of the transactions, this risk is significant in respect of income from fees and charges where the revenue is generated from the raising of invoices and the collection of cash and direct payments arising from payments made for Council services.</p>	<p>We gained an understanding of the authority’s internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We substantively tested an increased sample of receipts either side of the year end to ensure that income is complete, accurately recorded and earned in the year.</p>	<p>No issues have been identified by our testing of revenue from fees and charges.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
<p>Property, plant and equipment valuations</p>	<p>Property, plant and equipment (including investment properties) have been revalued during the year. The valuations were based on assumptions that are uncertain by nature. There is a risk of material misstatement if inappropriate or inaccurate assumptions are used in the calculation of fair values. We highlighted this as a risk of material misstatement in our Planning Report in March 2016.</p> <p>Our initial review of the Council's draft financial statements has identified a significant movement on the value of property, plant and equipment. We confirmed that this is primarily due to the revaluation undertaken during the year, which has resulted in the value of property, plant and equipment and investment properties increasing by approximately 20% and 47% respectively when compared to the net book value of these assets at 31 March 2015. Management engaged external valuers to undertake these revaluations.</p> <p>The extent of these increases was substantially higher than our expectations (which are based on the increases in property prices suggested by published indices). We therefore considered that the valuation of property, plant and equipment (including investment properties) presented a significant risk of material misstatement.</p>	<p>We reviewed the significant assumptions used by the valuers for accuracy and reasonableness.</p> <p>We confirmed that the basis of valuation for assets valued in year was appropriate based on their usage and that the movement in values were explained by the wider market factors.</p> <p>We considered the independence, objectivity and competence of the external valuers engaged by management.</p>	<p>Our review of the valuation of council dwellings, other land and buildings and investment properties confirmed that they agreed to the respective valuation reports.</p> <p>We have reviewed the assumptions used in the valuation of properties and concluded that they are not unreasonable.</p> <p>For council dwellings, we have obtained local property price data from the Land Registry website which showed a much higher percentage increase in property prices compared to the average increase shown on the published indices for Eastern region (which was used to form the expectations applied during our initial review of the accounts). We have also reviewed comparable sales data on which the valuations were based upon and concluded that the two are consistent. We agreed comparable sales data given on the valuation report to the published property sales information.</p> <p>We have discussed the valuation of investment properties with the external valuer to confirm the nature of the information taken into account when completing the valuation. We are satisfied that the details of the Council's investment property portfolio provided to the valuer were accurate and complete.</p> <p>We have assessed the competence, independence and objectivity of the valuers involved in both valuations and have not identified any issues.</p> <p>We have confirmed that the valuations are accurately reflected in the financial statements.</p> <p>Further details on our view of this valuation estimate are provided on page 9.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

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NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
PENSION LIABILITY ASSUMPTIONS	<p>The net pension liability comprises the Council’s share of the market value of assets held in the Essex County Council Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We have agreed the pension liability recognised in the Council’s financial statements to the information provided by the actuary.</p> <p>We have reviewed the assumptions used by the actuary for reasonableness and have no matters to report.</p> <p>We are satisfied that the information used by the actuary regarding membership data was consistent with the Council’s records.</p> <p>Further details on our view of this estimate are provided on page 10.</p>
RELATED PARTY TRANSACTIONS	<p>We reviewed the Council’s procedures for identifying related party transactions for disclosure in the related parties note, including signed declaration forms from members and senior officers. We carried out Companies House checks for a sample of members and senior officers and checked the completeness of interests included in the declaration forms. We also considered the completeness of related party disclosures based on knowledge gained from our other audit work.</p>	<p>Our audit identified that those individuals and organisations disclosed as related parties in the draft financial statements did not meet the definition of related parties as per accounting standards.</p> <p>Management have agreed to amend the disclosure.</p> <p>We have raised a recommendation regarding this matter (see Appendix III).</p>
EXISTENCE OF ASSETS	<p>For a sample of property, plant and equipment recorded on the Council’s asset register, we obtain evidence to confirm that the asset exists.</p> <p>Included in our sample were two items relating to works in respect of off street parking areas associated with council dwellings. Due to the age of these assets, officers were unable to confirm the location of these works and we have therefore been unable to confirm that the associated assets exist.</p> <p>Further work has been undertaken to quantify the impact of this issue. The net book value of affected assets included in the Council’s asset register is £330,000.</p>	<p>We were unable to verify the existence of assets relating to works in respect of off street parking areas associated with council dwellings</p> <p>The total value of the type of asset affected is such that we are satisfied that the issue identified is not indicative of a material overstatement of the value of council dwellings. We were able to verify the existence of all other assets in our sample and this has historically been the case in prior years.</p> <p>We have raised a recommendation regarding this matter (see Appendix III).</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

Page 49

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
<p>WRITE-OFF OF NON CURRENT ASSETS</p>	<p>During the year, the Council reviewed the assets classified within Infrastructure, Community and Assets under Construction. Officers concluded that some of the assets were either transport related (and therefore belong to the County Council) or were related to a former waste disposal site which is now a park and no longer formed part of the asset. These assets (which had a value of £8.4m) were written out of the financial statements by restating 2014/15 values, including the recognition of an exceptional item in the Comprehensive Income and Expenditure Statement.</p> <p>We reviewed the accounting treatment applied in the draft financial statements to ensure that it was consistent with the requirements of the Code and applicable financial reporting standards.</p> <p>This identified that the write-off had been incorrectly accounted for. Although it was correct to treat the write-off as a prior period adjustment, this should have been accounted for by restating the opening balances for the 2014/15 financial year (so recognising the correction related to <i>before</i> 2014/15) and not by only restating the 2014/15 Comprehensive Income and Expenditure Account (which would have shown the change occurring <i>during</i> 2014/15).</p>	<p>Management have amended the financial statements to correctly reflect the write-off of assets which are not owned by the Council. In accordance with the Code and applicable financial reporting standards, a third balance sheet has been prepared showing restated opening balances for the 2014/15 financial year.</p> <p>We are satisfied that the financial statements are now materially accurate in relation to this issue.</p> <p>Although officers engaged with us to discuss the possible accounting treatments, we note that officers did not prepare a working paper to demonstrate how the treatment applied was consistent with the requirements of the Code.</p> <p>We have raised a recommendation regarding this matter (see Appendix III).</p>
<p>FRAUD AND ERROR</p>	<p>We enquired of management regarding any instances of fraud in the period, and considered throughout the audit the possibility of material misstatements due to fraud or error.</p> <p>We are not aware of any instances of fraud other than housing benefit and housing tenancy fraud committed against the Council.</p>	<p>Our audit procedures have not identified any material errors due to fraud.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

ACCOUNTING ESTIMATES

Our views on significant estimates, including any valuations of material assets and liabilities, arrived at the preparation of your financial statements are set out below.

We have assessed how prudent or aggressive the estimate is based on the level of caution applied by management in making the estimate under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenditure are not understated.

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ESTIMATES

PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and investment properties is not materially different to the current value or fair value at the Balance Sheet date.

The valuation for council dwellings and land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC). Management employs external experts (valuer) to undertake valuations. Council dwellings are revalued every year. Other assets are revalued as part of the Council's rolling revaluation programme which ensures all assets are revalued at least once every five years.

The Code of Practice on Local Authority Accounting 2015/16 (the Code) introduced a change in the basis of valuation of surplus assets and investment properties under International Financial Reporting Standard (IFRS) 13, from existing use value (in the case of surplus assets) or market value (in the case of investment properties) to a 'highest and best use' valuation. This means that valuations may be significantly different in certain circumstances.

AUDIT FINDINGS AND CONCLUSIONS

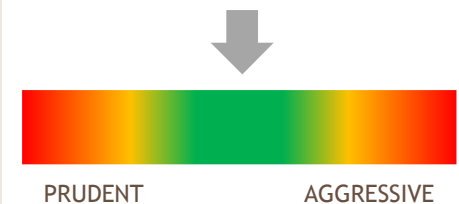
The Council engaged an external valuer to value its council dwellings, certain items of other land and buildings and investment properties as at 28 February 2016. We have reviewed relevant indices and other market information to confirm that there has been no material movement in property prices between the valuation date and the balance sheet date.

This resulted in a net upwards revaluation movement of £105.545 million in the year for council dwellings, a net upwards revaluation movement of £20.036 million for investment properties and a net downwards revaluation movement of £1.347 million for other land and buildings.

We assessed the valuers' competence, independence and objectivity and determined we could rely on the management expert.

We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements.

We compared the valuations to expected movements using available market information and concluded that the movements are within expectations.



KEY AUDIT AND ACCOUNTING MATTERS

Continued

ESTIMATES

PENSION LIABILITY ASSUMPTIONS

The pension liability comprises the Council's share of the market value of assets held in the Essex Pension Fund and the estimated future liability to pay pensions.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements.

We have reviewed the reasonableness of the assumptions applied by comparing these to the expected ranges provided by an independent consulting actuary report.

AUDIT FINDINGS AND CONCLUSIONS

As at 31 March 2016 net pension liabilities disclosed in the Balance Sheet decreased by £2.948 million compared to the balance at 31 March 2015.

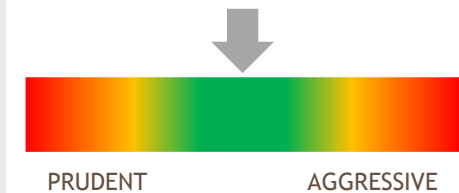
It should be noted that these retirement benefits (liabilities) will not actually be payable until employees retire but because the Council has a commitment to make the payments (for those benefits) there is a requirement to disclose the information in the accounts at the time employees earn their future entitlement.

The last formal valuation of the Fund was carried out as at 31 March 2013. In order to assess the value of the Council's liabilities as at 31 March 2016 the actuary has rolled forward the value of the liabilities calculated at the latest formal valuation, allowing for up to date financial assumptions.

The key changes to the financial assumptions relate to:

- an increase in the pension increase rate from 2.20% to 2.30%
- an increase in the salary increase rate from 4.00% to 4.10%
- an increase in the discount rate from 3.20% to 3.50% (to place a current value on the future liabilities through the use of a market yield of corporate bonds).

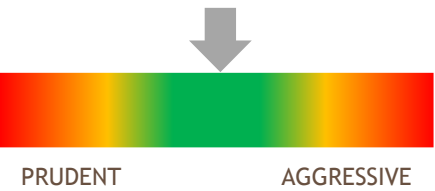
These changes have resulted in the decrease in the present value of the scheme liabilities at 31 March 2016. We have compared the assumptions used by the actuary to calculate the present value of future pension liabilities with the expected ranges provided by the independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.



KEY AUDIT AND ACCOUNTING MATTERS

Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p>ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES</p> <p>The Council's largest allowances for impairment of receivables relate to housing benefit overpayments and other outstanding general fund receivables.</p> <p>The Council estimates the housing benefits overpayments impairment allowance based on the age of the outstanding receivable. A similar methodology is applied to general fund receivables.</p> <p>We have reviewed management's calculations and considered the reasonableness of the estimates against collection rates calculated for the current aged debt profile.</p>	<p>Overall, we have concluded that the impairment allowances for receivables are reasonable.</p> <p>Housing benefit overpayments</p> <p>The impairment allowance at 31 March 2016 is £1.631 million, an increase of £340,000 from the prior year, against an overpayments balance of £2.736 million. The percentage is applied to outstanding balance, ranging from 10% for balances outstanding for between 0 and 2 months to 70% and 90% for those debts between 1 and 5 years old and older than five years respectively.</p> <p>Although the percentages applied are consistent with prior years and we are satisfied that the impairment allowance is not materially misstated, Management have been unable to demonstrate that the percentages applied to categories of aged debt are based on actual collection rates.</p> <p>General fund debtors</p> <p>The total impairment allowance for general fund debtors as at 31 March 2016 is £552,585, an decrease of £256,000 from the prior year, against total arrears of £1.838 million.</p> <p>Whilst we are satisfied that the impairment calculation is not materially misstated, actual recovery rates are difficult to obtain from AIMS, making it difficult for Management to obtain information to support the estimate.</p> <p>We have raised a recommendation regarding the calculation of impairment allowances (see Appendix III).</p>



KEY AUDIT AND ACCOUNTING MATTERS

Continued

FINANCIAL STATEMENT DISCLOSURES

Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
ACCOUNTING POLICIES	We are satisfied that the accounting policies adopted by the Council are consistent with the requirements of the Code.
IMMATERIAL DISCLOSURES	<p>We review the financial statements for such disclosures on an annual basis and will discuss any items which we consider to be unnecessary with officers. In previous years, we have worked with officers to identify and remove immaterial disclosures from the financial statements.</p> <p>We are satisfied that the financial statements do not contain any immaterial disclosures.</p>

KEY AUDIT AND ACCOUNTING MATTERS




Continued


OTHER MATTERS

We are required to communicate certain other matters to you. We deal with these below, either directly or by reference to other communications.







MATTER		COMMENT
1	Our responsibility for forming and expressing an opinion on the financial statements	See our Audit Planning Report to you dated 14 March 2016.
2	An overview of the planned scope and timing of the audit	See our Audit Planning Report to you dated 14 March 2016.
3	Significant difficulties encountered during the audit	We have no matters to report.
4	Significant matters arising from the audit that were discussed with management or were the subject of correspondence with them, and any other matters arising from the audit that in our judgment are significant to the oversight of the financial reporting process	All such matters have been dealt with elsewhere in this report.
5	Written representations which we seek	These are reproduced at Appendix VII.
6	Any fraud or suspected fraud issues	We have no matters to report.
7	Any suspected non-compliance with laws or regulations	We have no matters to report.
8	Uncorrected misstatements, including those relating to disclosure	A schedule of uncorrected misstatements is included at Appendix II.
9	Significant matters in connection with related parties	All relevant matters have been included within this report.









SUMMARY OF AUDIT FINDINGS

STATUS	REPORTING LEVEL
 Not started	Significant issue
 In progress	Raised for your attention
 Complete	No issue identified

AUDIT WORK STATUS		REPORTING LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
	Journals		N	N	N	N
	Property, plant and equipment		Y	Y	N	Y
	Debtors		N	N	N	N
	Cash and cash equivalents		N	N	N	N
	Short and long term investments		N	N	N	N
	Creditors		N	N	N	N
	Short and long term borrowing		N	N	N	Y
	Employee benefits		N	N	N	N
	Other expenditure		N	N	N	N
	Grant income		N	N	N	N
	Other income		N	N	N	N
	Collection fund		N	N	N	N
	Housing Revenue Account		N	N	N	N
	Related party transactions		Y	Y	N	Y
	Financial instruments		N	N	N	N
	Cash Flow Statement		N	N	N	N

SUMMARY OF AUDIT FINDINGS

STATUS		RISK LEVEL	
	Not started		Significant issue
	In progress		Raised for your attention
	Complete		No issue identified

AUDIT WORK STATUS		REPORTING LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
	Whole of Government Accounts		N	N	N	N
	Annual Governance Statement		N	N	N	N
	Narrative Report		N	N	N	N
	Use of resources		N	N	N	N

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2016, and anticipate issuing an unqualified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Governance Committee at which this report is considered:

1
Page
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2
3
4
5

Completion of those areas of the audit highlighted as in progress in the “Summary of audit findings” section.

Clearance of manager and partner review points

Subsequent events review

Receipt of final set of financial statements for checking

Management representation letter, as attached in Appendix VII to be approved and signed



OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	<p>The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 20 June 2016.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p>	<p>All relevant matters have been included within this report.</p>
2	<p>We are required to review the draft Annual Governance Statement and be satisfied that it meets the disclosure requirements in ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007. We are also required to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.</p>	<p>Our work on the draft annual governance statement is currently in progress.</p>
3	<p>We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p>	<p>Our work on the narrative report is currently in progress.</p>

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WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
<p>Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.</p> <p>The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.</p>	<p>We expect to submit the relevant section of the assurance statement to the National Audit Office (NAO) by the deadline of 21 October 2016.</p>

USE OF RESOURCES

Key informed decisions, deployed resources and sustainable outcomes

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 Audit Plan issued in March 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

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RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p>SUSTAINABLE FINANCES</p>	<p>The spending review announced by the Government in November 2015 confirmed that central government funding for local government will continue to fall following significant reductions implemented during the previous Parliament. Existing funding mechanisms, particularly in relation to local taxation, are also likely to be restructured in the medium-term.</p> <p>The Council’s most recent medium term financial strategy (MTFS, prepared in February 2016) takes into account the above factors. Identified savings of £2.6m will need to be delivered during the period 2016/17 - 2019/20 and further savings of £0.5m will need to be identified for the period 2017/18 - 2019/20.</p> <p>The likely changes to local government funding, coupled with the need to deliver savings in the medium term, means that the Council continues to face financial risks. These are, in part, mitigated by the levels of reserves currently held by the Council, which are forecast to remain significantly above the target of 25% of the Council’s net budget requirement for the duration of the MTFS.</p>	<p>As noted in the “Risk detail and work performed” column, the Council remains in a strong financial position due to its healthy reserve balances. Management have updated the MTFS since our risk assessment and the predicted revenue balance at the end of the period covered by the MTFS is expected to be £6.857m, which represents 55% of the Council’s net budget requirement for 2019/20. This is significantly above the minimum 25% approved by members.</p> <p>Capital funds are expected to reduce from £3.742m at the start of the MTFS period to nil during 2018/19.</p> <p>Management have recognised that ongoing reductions in central government funding will present significant financial challenges in the medium term. The introduction of the Transformation Programme aims to address this, as well as the need to embrace new technology and meet the changing needs of both internal and external stakeholders.</p>

USE OF RESOURCES

Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p>SUSTAINABLE FINANCES (Continued)</p>	<p>We have reviewed the Council’s MTFS to assess the reasonableness of assumptions used and how the Council is addressing financial pressures.</p> <p>We have considered the progress made by the Council regarding the exploitation of the commercial opportunities it has identified. We have also reviewed the progress it has made with its transformation programme, including any potential efficiency savings arising from the programme.</p>	<p>A Head of Transformation was appointed in November 2015 to oversee the programme’s four work streams:</p> <ul style="list-style-type: none"> • Customer experience • Business culture • Resources, accommodation and technology • Major projects <p>The customer experience review commenced during the year. An officer working group was convened in September 2015 and initial findings and recommendations reported to members in March 2016. This project continues to progress alongside other aspects of the transformation programme, notably a review of the Council’s current office accommodation.</p> <p>The development of the Langston Road Shopping Centre is expected to provide the Council with a significant source of income once operational. Delays in the tendering process for the construction of the centre have resulted in the opening being postponed until Easter 2017 (the centre was originally intended to open in time for Christmas 2016).</p> <p>As the Transformation Programme is in its early stages, financial benefits (both in terms of savings achieved and additional revenue generated) are yet to be realised. Those elements of the programme which commenced during 2015/16 are progressing well and are on track to deliver the changes envisioned by officers.</p>

APPENDICES

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APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Epping Forest District Council
'Those charged with governance'	The persons with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the members of the Audit and Governance Committee.
Management	The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: <ul style="list-style-type: none"> The financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) Putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
The 'Code'	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC (Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
SOLICE	Society of Local Authority Chief Executives
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Governance Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

CORRECTED AUDIT DIFFERENCES

There were no differences that have been corrected in the revised draft financial statements that affect the reported surplus for the year. However, a number of amendments to classifications have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report.

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UNADJUSTED AUDIT DIFFERENCES

There are no unadjusted audit differences relating to the current year.

We have also separately reported the impact of brought forward prior year uncorrected misstatements and their impact on the current year performance. These amounts remain misstatements with regard to reporting in year financial performance, but are not misstatements at the year end and cannot be corrected as these relate to previous years. Overall, the impact of prior year misstatements on current year performance would decrease the reported underlying surplus for the current year by £877,000.

APPENDIX II: AUDIT DIFFERENCES

UNADJUSTED AUDIT DIFFERENCES

UNADJUSTED AUDIT DIFFERENCES	£'000	INCOME AND EXPENDITURE		BALANCE SHEET	
		DR £'000	CR £'000	DR £'000	CR £'000
Surplus on the provision of services	(28,841)				
DR CIES Taxation and non-specific grant income	877	877			
CR Balance sheet capital grants received in advance					(877)
<i>Being the impact of the brought forward prior year error in relation to incorrect recognition of affordable housing contributions.</i>					
TOTAL UNADJUSTED AUDIT DIFFERENCES	877	877			(877)
Surplus on the provision of services if adjustments accounted for	(27,964)				

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IMPACT ON GENERAL FUND AND HRA BALANCES	GENERAL FUND BALANCE £'000
Balances before adjustments	(7,272)
Adjustments to CIES above	877
Adjustments via movement in Reserves Statement:	
CR Capital adjustment account to reflect application of affordable housing contribution	(877)
BALANCES AFTER ADJUSTMENTS	(7,272)

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
RELATED PARTIES	Our audit identified that those individuals and organisations disclosed as related parties in the draft financial statements did not meet the definition of related parties as per accounting standards.	Undertake a review of potential related party transactions as part of the financial statement closedown process. This review should be based on the definition of related parties as described in the Code.	A review will be done.	Assistant Director (Accountancy)	March 2017
EXISTENCE OF ASSETS	We were unable to verify the existence of assets relating to works in respect of off street parking areas associated with council dwellings	Maintain adequate records for capital works so that expenditure incurred can be associated with a specific asset location.	Information held on the asset register will be expanded.	Assistant Director (Accountancy)	March 2017
PREPARATION OF WORKING PAPERS	We identified that the write-off had been incorrectly accounted for. We note that officers did not prepare a working paper to demonstrate how the treatment applied was consistent with the requirements of the Code.	Working papers to support significant or unusual transactions should be prepared as part of the financial statement closedown process. The working papers should clearly document how the requirements of the Code relevant to the transaction(s) in question have been applied, along with any judgements made by management relating to the recognition, measurement and presentation of such transactions.	Agreed.	Assistant Director (Accountancy)	March 2017
IMPAIRMENT OF RECEIVABLES	Impairment of receivables are not calculated using actual collection rates.	Calculate impairment of receivables using actual collection rates for the corresponding category of debtor. Investigate the possibility of preparing custom reports for systems where the required data is not currently readily available	Agreed.	Assistant Director (Accountancy)	March 2017

APPENDIX IV: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	1,900,000	1,900,000
Clearly trivial threshold	76,000	76,000

Planning materiality of £1.900 million was based on 2% of 2014/15 gross expenditure. We had no reason to revise our final materiality level.

APPENDIX V: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
David Eagles - Engagement lead	4	31 March 2018
Barry Pryke - Audit manager	3	31 March 2024

APPENDIX V: INDEPENDENCE

Continued

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

We have provided services other than audit to the Council as set out in Appendix VI.

Other than the items identified above and in Appendix VI, we have not identified any potential threats to our independence as auditors.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX VI: FEES SCHEDULE

	2015/16	2014/15		
	£	£	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
Audit fee	64,672	86,229	N/A	N/A
Certification fee (Housing benefits subsidy claim)	⁽¹⁾ 18,533	24,710	N/A	N/A
TOTAL AUDIT FEE	83,205	110,939		
Reporting on government grants:				
Pooling of Housing Capital Receipts Return	⁽¹⁾ 2,000	2,000	The threat to auditor independence from Audit Related Services is clearly insignificant	No safeguards required
TOTAL ASSURANCE SERVICES	82,205	112,939		

⁽¹⁾ Our work on the assurance reviews of the grant claims and other returns for 2015/16 is in progress and we will report the findings from this work and the final fees separately.

APPENDIX VII: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
16 The Havens
Ransomes Europark
Ipswich IP3 9SJ

29 September 2016

Dear Sirs

Financial statements of Epping Forest District Council for the year ended 31 March 2016

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Director of Resources has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended 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) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

APPENDIX VII: DRAFT REPRESENTATION LETTER

Continued

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the fair value measurements in relation to the following are reasonable and that there are no circumstances of which we are aware that would have a material impact on the values reported:

• fair value of property, plant and equipment

• assumptions underpinning the reported pension liability

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 1.2 to the financial statements are sufficient.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Robert Palmer
Director of Resources
29 September 2016

Councillor John Knapman
Chair of the Audit and Governance Committee
Signed on behalf of the Audit and Governance Committee
29 September 2016

APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices to be firm-wide and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to , one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.



FOR MORE INFORMATION:

DAVID EAGLES

Engagement lead

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BARRY PRYKE

Project manager

T: 01473 320 793

E: Barry.Pryke@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-008- 2016/17
Date of meeting: 19 September 2016

Portfolio: Finance

Subject: Statutory Statement of Accounts 2015/16

Responsible Officer: Bob Palmer (01992 564279)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That a report be submitted to the Council recommending that the Statutory Statement of Accounts for 2015/16 be adopted.

Executive Summary:

One of the key roles of this Committee is scrutinising the annual Statutory Statement of Accounts. All Members of the Council will have the opportunity to debate the Accounts at Full Council and part of that debate will be to consider the recommendation of this Committee.

It is anticipated that the audit will be completed shortly and that the Statutory Statement of Accounts will be presented to Council on 27 September. There is a separate report elsewhere on the agenda that sets out the key findings of the audit.

There have been no substantial changes to the annual Statutory Statement of Accounts for 2015/16. The format of the accounts and the disclosure notes within them are very similar to those for 2014/15. Also, following the significant changes to the system of local authority finance in 2013/14, 2015/16 has been a year of consolidation with no other significant changes.

To assist Members with their consideration of the Accounts a report follows together with the Accounts themselves.

Reasons for Proposed Decision:

It is important that this Committee scrutinises the annual Statutory Statement of Accounts so that residents and other Members can have confidence in the Accounts.

Officers have exercised their professional judgement and liaised closely with external experts and the External Auditor to produce the Statutory Statement of Accounts. If Members are satisfied with the content of this report and the verbal responses to any questions raised, they are requested to recommend the Statutory Statement of Accounts for adoption by Full Council on 27 September.

Other Options for Action:

The Committee could decide that the accounts should be amended or expanded prior to them being presented to Full Council.

Report:

1. The Accounts and Audit Regulations require Full Council or an Executive Committee to adopt the Council's Statement of Accounts before the end of September. The Council's constitution reserves the adoption of the Accounts to Full Council only. However, prior to Council considering the accounts it is important that they have been subject to Member scrutiny. This Committee has scrutinised the Statement of Accounts for several years.
2. The consideration of the Statement of Accounts is contained in the Terms of Reference of this Committee, the relevant parts being:

(p) To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

3. This review is performed through a consideration of key aspects of the accounts including:
 - (i) critical accounting policies and practices, and any changes to them;
 - (ii) decisions requiring a major element of judgement;
 - (iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - (iv) significant adjustments resulting from the audit; and
 - (v) any material weakness in internal control reported by the Internal or External Auditor.

Critical accounting policies and practices, and any changes to them

4. There have been no significant changes in accounting policies and practices during the year. The accounting policies are set out on pages 10 to 16 of the Accounts.

Decisions requiring a major element of judgement

5. In preparing a set of accounts at a point in time it is inevitable that some of the information required will not yet be available. If an actual amount is uncertain an estimate is used. The estimate will be based on the assessment of information available at the time the accounts are closed. When the actual figures are determined any difference is usually accounted for in the following year. If the estimate was wrong by a material amount it would be necessary to consider re-stating the figures, this is extremely rare.
6. Two of the notes required by International Financial Reporting Standards are relevant here, Note 3 "Critical judgements in applying accounting policies" and Note 4 "Assumptions made about the future and other major sources of estimation uncertainty". The key critical judgement highlighted in Note 3 is that the Council does not currently need to close facilities or significantly reduce levels of service provision. If this were not the case it would be necessary to consider any assets that would be affected and any consequent impairment of their values.
7. This year only one area is included under Note 4, the Council's pension liability. The substantial annual fluctuations in the pension liability make clear the element of judgement exercised by the actuary in establishing the pension figures. The largest creditor on the Balance Sheet is the Council's liability to the pension fund. The Balance Sheet shows that the pension liability for the Council has decreased in the year from £69.929 million to £66.981 million. This reduced deficit is due to a £1.570 million increase in the value of the scheme assets and a reduction of £1.378 million in the projected liabilities.

8. The key to calculating the value of the projected liabilities is the discount rate, and as this rises the size of the liability decreases. The increase in the discount rate from 3.2% to 3.5% reflects the slight increase in yields in the corporate bond market, which actuaries are required to base discount rates on.
9. The figures shown in the table below illustrate how the overall deficit has changed over time. Further fluctuations are likely in subsequent years as it becomes clear how members of the pension scheme are responding to the change from a final salary scheme to a career average based scheme.

	2015/16 £'m	2014/15 £'m	2013/14 £'m	2012/13 £'m	2011/12 £'m
Liabilities	(183.6)	(185.0)	(159.5)	(170.4)	(150.8)
Assets	116.7	115.1	101.7	95.0	85.2
Deficit	(66.9)	(69.9)	(57.8)	(75.4)	(65.6)

10. The inclusion of this amount in the Balance Sheet shows the extent of the authority's liability if the pension fund was to close on 31 March 2016. It does not mean that this full liability will have to be paid over to the pension fund in the near future.
11. There are two other areas in the Statement of Accounts to bring to Member's attention as having required a major element of judgement. The first of these is asset valuations, Property, Plant and Equipment, dominates the Balance Sheet with a value of just under £700 million and Investment Properties are the next largest asset with a value of £63 million. Assets are revalued periodically to ensure their valuations are correct and up to date.
12. This year has seen an increase on revaluation of more than £101 million on Property, Plant and Equipment, of which more than £99 million relates to Council Dwellings and Garages. As in previous years, the valuation of the Council's Dwellings and Garages was undertaken by the District Valuer. Investment Properties were revalued by Deloitte LLP and this resulted in an increase of £9 million in the value of industrial estates and £11m in the value of commercial properties. The auditors have carefully considered all of the revaluations and are satisfied that the asset values are not materially misstated.
13. The other area is the provision for business rate appeals. Historically the values for non-domestic property have been updated every five years. If an occupier is unhappy with the valuation set by the Valuation Office Agency (VOA) they can appeal. Throughout the recession the number of appeals increased and the VOA was unable to keep up with the workload and process the appeals on a timely basis. This meant that when local retention came in there were a very large number of appeals outstanding, most of which related to the 2010 list but some went back to the 2005 list. Even though the appeals arose before the start of the new system, and central government had received the income from the bills being challenged, the liability for settling the outstanding appeals was given to local authorities.
14. The Collection Fund includes a Provision for Appeals of £3.57 million, up from £3.26 million last year. This provision was calculated with the help of an external firm of rating experts who analysed each outstanding appeal and gave a projected value for settlement. The Valuation Office Agency has made some progress during the year in settling appeals but we still have over 400 outstanding. To date the appeals that have been settled are similar in total to the provisions that were held against them and it appears the provision is not materially misstated. Although it is important to include a note of caution here as there are still appeals outstanding on some of the largest non-domestic premises in the district, including one with a rateable value of £5.83 million.
15. Where it has been necessary to exercise judgement in the interpretation of the Code of Practice advice has been sought from CIPFA and staff have liaised closely with both the External Audit Manager and other Essex authorities.

The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed

16. It is unusual to show figures for three years on the Balance Sheet so it is appropriate to draw the Committee's attention to Note 11 which provides a detailed explanation. As the accounting arrangements are changing for highways assets it was necessary to review some of the asset categories that were included in the Balance Sheet. The review highlighted that some of the assets held under the headings of infrastructure, community assets, and assets under construction were either transport related, and therefore the expenditure had been incurred on assets that should be accounted for by the County Council, or were related to the former waste disposal site at Bobbingworth which is now a park and so were not part of the value of that asset.
17. As it was evident that these assets should not be included in the accounts going forward but that their inclusion was an historical issue it was necessary to make a retrospective restatement of the Balance Sheet as at 1 April 2014. The restatement involves a reduction of £8.421 million in Property, Plant and Equipment and a corresponding adjustment to the Capital Adjustment Account, which is shown on the Balance Sheet as part of Unusable Reserves. This restatement has no impact on the Council's Usable Reserves and so will not influence any subsequent decisions on financing or the level of Council Tax.

Significant adjustments resulting from the audit

18. No significant adjustments have arisen from the audit. Although, some minor items have been corrected during the course of the audit. The audit is still to be concluded and any significant adjustments will be reported to this Committee.

Any material weakness in internal control reported by the Internal or External Auditor

19. Neither the Internal nor External Auditor has reported any material weakness in internal controls. If any arise before the conclusion of the audit they will be reported to this Committee.

Resource Implications:

The Accounts set out the resource implications of the Authorities activities for 2015/16. The recommendation of the Accounts to Full Council does not in itself have any resource implications.

Legal and Governance Implications:

Full Council must approve the Accounts before the end of September and as part of the overall governance framework the Accounts should be subject to Member scrutiny prior to their approval.

Safer, Cleaner and Greener Implications:

There are no environmental implications.

Consultation Undertaken:

None.

Background Papers:

Reports on the revenue and capital outturns to the Finance & Performance Management Cabinet Committee on 16 June 2016.

Impact Assessments:

There are no equalities or risk management impacts.

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Epping Forest District Council
www.eppingforestdc.gov.uk

STATEMENT OF ACCOUNTS
2015/16



STATUTORY STATEMENT OF ACCOUNTS 2015/16

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Further copies of this report are available from the Director of Resources at the Civic Offices, High Street, Epping, Essex, CM16 4BZ

NARRATIVE REPORT

1. INTRODUCTION TO EPPING FOREST DISTRICT COUNCIL

Epping Forest District in Essex takes its name from the forest which runs from its southern boundaries northwards. The district shares boundaries with Greater London and Hertfordshire as well as four other Essex districts. The three main settlements of Buckhurst Hill, Chigwell and Loughton contain more than half the district's population of approximately 125,000 people. However, this southern area amounts to only 5% of the district. The remaining 95% is made up largely of separate market towns, villages and hamlets in attractive countryside. Most of the district is designated within the protective status of the Metropolitan Green Belt.

Services are provided at three levels by Essex County Council, Epping Forest District Council and local Town and Parish Councils.

- District Council services include - housing, street cleansing, waste collection and recycling, sports and recreation, planning applications for homes and business, voter registration, benefit administration, council tax and business rate collection & environmental health.
- County Council services include - education, social care & highways and transportation.
- Parish and Town Council services include - allotments, burial grounds and cemeteries, public halls & playgrounds and sports grounds.

Forecasts suggest that the population of the district could rise significantly from the current 125,000 over the next twenty years. A key factor in this estimated growth is that life expectancy in the district is higher than the national average and rising. Projections indicate that by 2020 over 55% of the district's population will be aged over 60.

Although the population of the district is fairly affluent there are some areas of deprivation with children living in poverty. Nearly a quarter of the district's adult population and almost a fifth of children are classified as obese.

Unemployment is generally low. Many residents commute to jobs in London. The district is well connected by eight London Underground stations and a National Rail station. The M25 and M11 provide good road links including a fast route to Stansted Airport. Local employment opportunities centre on distribution, hotels, restaurants, banks and finance and public services.

2. PERFORMANCE ON CORPORATE OBJECTIVES

The Corporate Plan 2015 - 2020 has three strategic aims and each of these is supported by three key objectives. Performance against the key objectives is monitored on a quarterly basis, with reports to Member meetings of both the Executive and Overview and Scrutiny.

The first strategic aim is to ensure that the Council has appropriate resources, on an ongoing basis, to fund its statutory duties and appropriate discretionary services whilst continuing to keep the Council Tax low. This aim is supported by key objectives covering budgets, property assets and joint working.

The key objective for budgets is to ensure that the Council's Medium Term Financial Strategy (MTFS) meets the Council's financial and service requirements for any forward five year period, whilst minimising any reliance on Government funding. There were four actions to support this objective which included an early start to the budget cycle, delivering the savings already identified for both 2015/16 and 2016/17 and developing additional business cases to address the need for net savings. All of these actions were achieved during 2015/16.

The key objective for property assets is to continue to review and develop the Council's own assets and landholdings for appropriate uses, in order to maximise revenue streams and capital receipts and to deliver four key projects. There were nine actions to support this objective, most of which were linked to the four key projects of the Epping Forest Shopping park, the Council Housebuilding Programme, the St John's Redevelopment Scheme and North Weald Airfield. Progress on the Shopping Park has been good and that action has been achieved. The Council Housebuilding Programme has seen success with the refurbishment of Marden Close and progressing Phase 2 but is behind schedule on Phase 1 due to problems with the contractor. Progress on the St John's Redevelopment is behind schedule due to a series of delays, most of which can be attributed to Essex County Council. Both of the actions relating to North Weald Airfield are behind schedule. Overall three of the actions on property assets have been achieved but six are behind schedule.

The key objective for joint working is to explore appropriate opportunities to make savings and increase income through the shared delivery of services with other organisations, where such arrangements would provide improved and/or more cost effective outcomes. There were eight actions shared across the organisation to support this objective. The only action not achieved in the year was to explore providing payroll services to other authorities. This action was behind schedule as the enabling action for it of jointly procuring a payroll with other authorities was delayed by one partner authority deciding not to proceed and then an issue with the procurement process that meant it had to be re-run. The system has now been purchased and a joint implementation is underway.

The second strategic aim is to ensure that the Council has a sound and approved Local Plan and commences its delivery. This aim is supported by key objectives covering the Local Plan, an Economic Development Strategy and a Leisure and Cultural Strategy.

The key objective for the Local Plan is to produce a sound Local Plan, following consultation with local residents and working with neighbouring councils, that meets the needs of our communities whilst minimising the impact on the District's Green Belt. There were seven actions to support this objective, these covered various aspects of the preparatory work necessary to deliver the Local Plan. The only action achieved in the year was to undertake Phase 1 of a comprehensive Green Belt Review. All of the other actions were in progress but are behind schedule.

The key objective for economic development is to increase opportunities for sustainable economic development within the District, in order to increase local employment opportunities for residents. There were seven actions to support this objective, these covered an array of projects including the Council's procurement rules, apprentices, super fast broadband and an overall plan for economic development. The only action not achieved in the year was to allocate employment land following a consultation on preferred options. This consultation is now likely to take place in the Autumn of 2016.

The key objective for the leisure and cultural strategy is to deliver the strategy, in order to maximise participation and value for money in leisure and cultural services for local residents and visitors. There were six actions to support this objective, these included the refurbishment of the museum, taking forward the procurement of a new leisure contract and a feasibility study on a new leisure/community hub at Hillhouse. All of the actions were achieved in the year.

The third strategic aim is to ensure that the Council adopts a modern approach to the delivery of its services and that they are efficient, effective and fit for purpose. This aim is supported by key objectives covering customer contact, modernising Council operations and the district's demographic profile.

The key objective for customer contact is to have efficient arrangements in place to enable customers to easily contact the Council, in a variety of ways, and in most cases have their service needs met effectively on first contact. There were three actions to support this objective, these included increasing the opening hours at the Limes Centre, introducing web based and smart phone applications for tenants to report repairs and a review of customer contact. All of the actions were achieved in the year.

The key objective for modernisation is to utilise modern technology to enable Council officers and Members to work more effectively, in order to provide enhanced services to customers and make Council services and information easier to access. There were eight actions to support this objective, these covered work on introducing more flexible methods of payment, implementing the ICT Strategy and improving access to the contracts register. Three of the actions were not achieved in the year and these included introducing an online facility for customers to view and research objects held by the museum and undertaking a review of the Council's accommodation. Work is now underway to engage external expertise to assist with the accommodation review.

The key objective for the demographic profile is to ensure that the Council understands the effects of an ageing population and works with other agencies to make appropriate plans and arrangements to respond to this need. There were three actions to support this objective. The first action, to undertake a study to identify and better understand the demographics of the ageing population and the effects of this was achieved. Two of the actions were not achieved in the year and these were a review of the provision and delivery of community and cultural services and a review of sheltered and designated accommodation.

As 2015/16 was the first year of implementing the new Corporate Plan it is not possible to compare performance against last year. There were 55 actions in the key action plan for 2015/16 and 36 (65%) of these were achieved during the year. This is a good performance as it is clear with the benefit of hindsight that many of the actions were always going to take more than one year to complete. Most of the 19 actions that were not completed are well underway and will continue to be monitored during 2016/17.

3. PERFORMANCE ON KEY PERFORMANCE INDICATORS

Each Directorate has a set of key performance indicators that Members consider and set targets for on an annual basis. Quarterly monitoring reports on the indicators go to both Overview and Scrutiny and Executive Member meetings. The Communities Directorate had ten key performance indicators for 2015/16 and eight of these achieved the target level of performance. The indicators meeting their targets included rent collection, tenant satisfaction, repairs and the Careline service. The indicators falling short of their targets were the time taken to re-let void properties (41 days against target of 37) and the number of households in temporary accommodation (89 against target of 65). Homeless households is an increasing problem nationwide and additional funds have been allocated in 2016/17 in response to this.

The Governance Directorate had five key performance indicators for 2015/16 and four of these achieved the target level of performance. The indicators all relate to the processing of various types of planning applications and it was a considerable achievement to meet the targets whilst also dealing with a much higher volume of work. The indicator that fell short of its target was the percentage of planning applications granted permission following an appeal after an officer recommendation for refusal. A target of a maximum of 19% had been set but the outturn was higher at 30.6%, however this is on a small number of applications and the percentages translate to actual numbers of 15 appeals being allowed against a target of 9.

The Neighbourhoods Directorate had twelve key performance indicators for 2015/16 and seven achieved their targets. The indicators meeting their targets relate to environmental health issues such as fly tipping and noise nuisance and also the management of the Council's commercial properties. The indicators falling short of their targets cover the waste management service as this area had a difficult year due to the contractor suffering disruption whilst moving to a four day collection programme. Normal service has now been resumed and performance improved towards the end of 2015/16.

The Resources Directorate had nine key performance indicators for 2015/16 and eight achieved their targets. The indicators meeting their target relate to revenue collection, benefits processing, invoice payments and the Council's website. The indicator that fell short of its targets was the number of days lost to sickness absence, this covers the whole Council but is reported in Resources as the data is collected by Human Resources. For 2015/16 an average of 7.99 days was lost to sickness which exceeded the target of 7 days but was an improvement on the 2014/15 figure of 9.2 days.

There were 36 key performance indicators for 2015/16 and 27 (75%) of these achieved their target during the year. This is a strong performance which would have been even better but for the disruption to the waste management service. The achievement of 75% of targets in 2015/16 is an improvement on the 72% success rate for 2014/15.

4. FINANCIAL PERFORMANCE

The following tables provide a summary review of net expenditure and financing for 2015/16.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2015/16.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	13,348	15,769	16,204	2,856	435
Government Grants and Local Taxation	(13,304)	(14,095)	(14,183)	(879)	(88)
(Contribution to)/from Balances	44	1,674	2,021	1,977	347
Opening Balances - 1/04/2015	(9,293)	(9,293)	(9,293)	-	-
(Contribution to)/from Balances	44	1,674	2,021	1,977	347
Closing Balances - 31/3/16	(9,249)	(7,619)	(7,272)	1,977	347

Net expenditure for 2015/16 totalled £16.2 million, which was £2.9 million (21.5%) above the original estimate agreed in February 2015 and £435,000 (3%) above the revised estimate compiled in December 2015. When compared to a gross expenditure budget of approximately £74 million, the variances can be restated as 4% and 0.6% respectively.

An analysis of the changes between Continuing Services Budget (on-going expenditure and Income (CSB)) and District Development Fund (One-off Expenditure and income (DDF)) expenditure illustrates where the main variances in revenue expenditure have occurred. Invest to Save (ITS) is a new fund for 2015/16 which provides initial funding for projects that will reduce the CSB.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	13,909	13,280	13,649	(260)	369
In Year Growth	329	578	546	217	(32)
In Year Savings	(902)	(1,212)	(1,142)	(240)	70
Total Continuing Services Budget	13,336	12,646	13,053	(283)	407
Capital Expenditure Charged to Revenue	12	3,123	3,151	3,139	28
Total All CSB Items	13,348	15,769	16,204	2,856	435
DDF/ITS - Expenditure	1,839	2,501	1,984	145	(517)
DDF/ITS - One Off Savings/Income	(710)	(1,465)	(2,052)	(1,342)	(587)
Total DDF/ITS	1,129	1,036	(68)	(1,197)	(1,104)
Total Net Expenditure	14,477	16,805	16,136	1,659	(669)

Continuing Services Budget

CSB expenditure was £283,000 below the original estimate and £407,000 higher than the revised. The variances have arisen on both the opening CSB which was £369,000 higher than the revised estimate, and the in year figures which were £38,000 higher than the revised estimate.

In common with most years, when measured against the original budget, salaries were underspent by £465,000. Actual salary spending for the authority in total, including agency costs, was some £20.8 million compared against an original estimate of £21.3 million. When comparing to the revised estimate there was an underspend of £302,000, half of which related to the General Fund, although £72,000 of this was DDF or Building Control savings rather than CSB.

One of the largest movements on the opening figures, when compared to the revised, was the increase of £215,000 in the provision for bad and doubtful debts, which included an increase to reflect a higher level of housing benefit overpayment debts. The other significant factor in the worsening opening CSB was a reduction of £190,000 in the interest to the General Fund, due to the HRA balances being much higher than anticipated.

The in year CSB movements were very much in line with the revised estimate, with the actual CSB in year reduction of £596,000 being just £38,000 lower than the revised estimate. The largest individual items in the CSB changes were for additional income with £252,000 more for New Homes Bonus and £180,000 for car parking.

District Development Fund

Net DDF expenditure was £1,272,000 below the original estimate and £1,092,000 below the revised estimate. There are requests for carry forwards totalling £775,000 and therefore the variation actually equates to a £317,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The £1.1 million difference against the revised estimate arose from both additional income and from underspends. Significant additional income was received from the Government, with £268,000 to be spent on recycling initiatives and from the major preceptors with an additional £254,000 from the council tax sharing agreement. The largest underspends were £139,000 on the Local Plan and £82,000 on asset rationalisation.

Carry forwards of £775,000 have been requested, with the largest request being £566,000 from the Neighbourhoods Directorate. The two largest amounts have already been mentioned above, being the £268,000 for recycling and the £139,000 for the Local Plan. The directorate with the second highest carry forward is Resources, with a total of £115,000. The majority of the carry forward from this area relates to Building Maintenance (£73,000). Less significant carry forwards were also seen in the Governance Directorate (£70,000) and the Communities Directorate (£24,000).

The effect of these variances is that there is a balance of £3.7 million on the DDF as at 31 March 2016 whereas it was expected that the balance would be £2.7 million. The carry forward provision of £775,000 has been added to the programme for 2016/17. The MTFs set in February 2016 had anticipated that the unallocated DDF balance would be just under £1 million at the end 2019/20 and this has increased to £1.3 million.

Invest to Save

The Invest to Save fund was created with a transfer of £0.5 million from the General Fund Reserve. During 2015/16 £309,000 was allocated to various projects although only £87,000 was intended to be spent in 2015/16. The actual spend was £75,000 with most of this money being used to purchase grounds maintenance equipment.

Housing Revenue Account

The table below summarises the revenue outturn for the HRA.

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	28,678	29,037	28,517	(161)	(520)
Depreciation	13,539	13,152	13,498	(41)	346
Total Expenditure	42,217	42,189	42,015	(202)	(174)
Gross Dwelling Rents	(32,178)	(32,289)	(32,150)	(28)	(139)
Other Rents and Charges	(10,099)	(9,817)	(10,497)	398	680
Total Income	(42,277)	(42,106)	(42,647)	(371)	(542)
Deficit/(Surplus) for Year	(60)	83	(632)	(572)	(715)
Opening Balance 1/4/15	(2,570)	(2,570)	(2,570)	0	0
Deficit/ (Surplus) for year	(60)	83	(632)	(572)	(715)
Closing Balance - 31/3/16	(2,630)	(2,487)	(3,202)	(572)	(715)

A surplus within the HRA of £60,000 and a deficit of £83,000 were expected within its original and revised revenue budgets respectively; the actual outturn was a surplus of £632,000. The difference of £715,000 between the revised estimate and the actual is largely due to savings on expenditure of £520,000. This included salary savings of £150,000 and savings on professional fees and consultancy of £86,000 and a further £79,000 on gas and electricity.

Income from Dwelling Rents was down on expectations but this was more than made up for by the additional interest earned on the higher than anticipated balances. The revenue balance on the HRA of £3.2 million is in line with the target balance of between £3 million and £4 million previously agreed by Cabinet. The Major Repairs Reserve is also in a healthy state with a balance of nearly £12 million.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2015/16.

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
General Fund	7,476	32,568	23,487	16,011	(9,081)
Housing Revenue Account	18,952	17,349	13,811	(5,141)	(3,538)
Total Expenditure	26,428	49,917	37,298	10,870	(12,619)
Grants	1,545	3,493	3,725	2,180	232
External Borrowing	0	12,454	0	0	(12,454)
Capital Receipts	8,002	16,373	19,045	11,043	2,672
Revenue Contributions	16,881	17,597	14,528	(2,353)	(3,069)
Total Financing	26,428	49,917	37,298	10,870	(12,619)

The General Fund capital programme was expanded significantly at the revised estimate stage, primarily for the shopping park development. Unfortunately the highways works have been delayed by Essex County Council and the first attempt to let the main construction contract was not successful. Consequently less than £12 million of the 2015/16 £14 million budget for this scheme was spent by the year end. The largest underspend was the entire £6 million budget for the St John's development, which is another project being delayed by Essex County Council. The museum re-development was more successful and the improvements have been well received by the public.

The HRA capital programme saw large underspends on the new house building and kitchen/bathroom replacement programme. These schemes had estimates of £4.5 million and £4.3 million and spending of £3.4 million and £3.2 million respectively. The delays with the phase 1 of the house building programme were caused by problems with the contractor.

The actual financing of the capital programme varied from the revised estimate as the large underspends meant no new external borrowing was needed during 2015/16.

Balance Sheet

In 2015/16 the Council's Balance Sheet value has increased by £135.4 million to £555.9 million. The improvement in the Balance Sheet total arises primarily from the increase in the value of the Council's fixed assets and investment properties of £145.1 million. This was offset by a reduction in the Council's cash of £12.2 million to £14.0 million.

The growth in the Council's Balance Sheet was helped by a decrease in Long Term Liabilities, particularly in respect of the pension fund. This has reduced in the year from £69.9 million to £67.0 million. The assets of the scheme have increased in value by £1.6 million and the liabilities have decreased by £1.4 million. The key to calculating the value of future costs is the discount rate and as this increases the size of the liability decreases. The increase in the discount rate from 3.2% to 3.5% reflects the increasing yields in the corporate bond market, which actuaries are required to base discount rates on. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2016. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

5. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process is audited on an annual basis and the Audit & Governance Committee decided that the arrangements for risk management during 2015/16 were effective.

Below are our top risks from the Council's Corporate Risk Register.

Risk - failure to put in place a Local Plan in a timely manner

Impacts - loss of control of Local Plan process, loss of New Homes Bonus, reduced ability to defend decisions on

Mitigation - external project management support, regular Member briefings, engagement with stakeholders

Risk - failure to deliver developments on strategic sites

Impacts - loss of income potential, sub-optimal economic development, reputational damage

Mitigation - external project management support, overseen by dedicated Cabinet Committee

Risk - residents and the Council adversely affected by welfare reforms

Impacts - increases in rent arrears and homelessness, redundancy costs for staff and systems

Mitigation - multi-disciplinary working group has developed and implemented an action plan

Risk - Council's finances hit by reductions in income

Impacts - reductions in services, increases in Council Tax and charges, reductions in reserves

Mitigation - monthly income monitoring, increased urgency on Local Plan (see above), pooling to improve rate retention

Risk - failure to achieve strong economic development

Impacts - loss of inward investment, reductions in Non Domestic Rates, reduced employment opportunities for residents

Mitigation - additional staff for economic development, economic development strategy being produced

Risk - Housing Revenue Account 30 year plan undermined by legislative changes

Impacts - house building programme reduced, loss of HCA grant and capital resources, loss of rental income

Mitigation - house building programme supervised by Cabinet Committee, lobbying through ARCH and LGA *

*ARCH is the Association of Retained Council Housing and the LGA is the Local Government Association

6. EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

Comprehensive Income and Expenditure Statement this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area - this is a standard analysis provided by CIPFA so that local authority accounts and spending can be compared. The bottom half of the statement deals with corporate transactions and funding.

Movement in Reserves Statement - this is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable" , which can be invested in capital projects or service improvements, and "unuseable" which must be set aside for specific purposes.

Balance Sheet - this is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

Cash Flow Statement - this shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities.

The Supplementary Financial Statements are:

Annual Governance Statement - this sets out the governance structures of the Council's and its key internal controls.

Housing Revenue Account - this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

Collection Fund - this summarises the collection of council tax and business rates, and the redistribution of that money to other local authorities and central government.

The Notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts

COUNCILLOR JEANE LEA
CHAIRMAN OF THE COUNCIL

THE DIRECTOR OF RESOURCES RESPONSIBILITIES

The Director of Resources is responsible for the preparation of the Authority'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 Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Director of Resources has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts set out on pages 5 to 62 give a true and fair view of the financial position of the Council as at 31 March 2016 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
DIRECTOR OF RESOURCES

June 20, 2016

Opinion on the Council's financial statements

We have audited the financial statements of Epping Forest District Council for the year ended 31 March 2016 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditors

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information included in the document containing the audited financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Epping Forest District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Introduction and Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice for local government bodies (March 2010) requires us to report to you if:

- we have been unable to satisfy ourselves that the annual governance statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Epping Forest District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

David Eagles
For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

30-Sep-16

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

MOVEMENT IN RESERVES STATEMENT

Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	restated £000	restated £000
Movements in 2014/15										
Balance as at 31 March 2014	9,884	5,065	2,966	9,788	17,467	11,359	184	56,713	353,746	410,459
Restatement	-	-	-	-	-	-	-	-	(8,421)	(8,421)
Balance as at 1 April 2014	9,884	5,065	2,966	9,788	17,467	11,359	184	56,713	345,325	402,038
Surplus/(Deficit) on Provision of Services	(5,898)	-	19,536	-	-	-	-	13,638	-	13,638
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	4,903	4,903
Total Comprehensive Income and Expenditure	(5,898)	-	19,536	-	-	-	-	13,638	4,903	18,541
Adjustment between accounting and funding bases under regulations	6 5,636	-	(17,949)	-	2,067	(205)	(48)	(10,499)	10,499	-
Net Increase/(Decrease) before transfer to Earmarked Reserves	(262)	-	1,587	-	2,067	(205)	(48)	3,139	15,402	18,541
Transfers to Earmarked Reserves	(329)	369	(1,983)	1,983	-	-	(40)	-	-	-
Increase/(Decrease) in Year	(591)	369	(396)	1,983	2,067	(205)	(88)	3,139	15,402	18,541
Balance as at 31 March 2015	9,293	5,434	2,570	11,771	19,534	11,154	96	59,852	360,727	420,579
Movements in 2015/16										
Balance as at 31 March 2015	9,293	5,434	2,570	11,771	19,534	11,154	96	59,852	360,727	420,579
Surplus/(Deficit) on Provision of Services	15,066	-	13,775	-	-	-	-	28,841	-	28,841
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	106,521	106,521
Total Comprehensive Income and Expenditure	15,066	-	13,775	-	-	-	-	28,841	106,521	135,362
Adjustment between accounting and funding bases under regulations	6 (16,711)	-	(10,622)	-	(15,746)	1,137	112	(41,830)	41,830	-
Net Increase/(Decrease) before transfer to Earmarked Reserves	(1,645)	-	3,153	-	(15,746)	1,137	112	(12,989)	148,351	135,362
Transfers to Earmarked Reserves	(376)	376	(2,521)	2,521	-	-	-	-	-	-
Increase/(Decrease) in Year	(2,021)	376	632	2,521	(15,746)	1,137	112	(12,989)	148,351	135,362
Balance as at 31 March 2016	7,272	5,810	3,202	14,292	3,788	12,291	208	46,863	509,078	555,941

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2016

	Note	2015/16			2014/15		
		Gross Expend £000	Income £000	Net Expend £000	Gross Expend £000	Income £000	Net Expend £000
CONTINUING OPERATIONS							
Central Services to the Public		5,083	(1,088)	3,995	3,872	(1,158)	2,714
Corporate and Democratic Core		2,607	-	2,607	2,629	-	2,629
Cultural & Related Services		6,748	(1,150)	5,598	6,578	(900)	5,678
Environmental & Regulatory Services		9,459	(2,476)	6,983	10,689	(2,836)	7,853
Highways and Transport Services		1,253	(1,514)	(261)	1,329	(1,446)	(117)
Non Local Authority Housing		40,079	(38,273)	1,806	40,128	(38,470)	1,658
Planning Services		4,440	(1,543)	2,897	4,239	(1,375)	2,864
Housing Revenue Account		28,134	(44,435)	(16,301)	27,269	(50,791)	(23,522)
NET COST OF SERVICES		97,803	(90,479)	7,324	96,733	(96,976)	(243)
OTHER OPERATING EXPENDITURE	8			2,786			2,181
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	9			(15,819)			5,002
TAXATION AND NON-SPECIFIC GRANT INCOME	10			(23,132)			(20,578)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				(28,841)			(13,638)
(Surplus) on Revaluation of Property Plant and Equipment	12			(101,207)			(15,250)
Actuarial (gains)/losses on Pension Assets/Liabilities	33			(5,314)			10,210
Other (gains)/losses				-			137
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				(135,362)			(18,541)

BALANCE SHEET

	Note	31 March 2016		31 March 2015		1 April 2014	
		£000	£000	£000	£000	£000	£000
				<i>Restated</i>		<i>Restated</i>	
LONG TERM ASSETS							
Property, Plant & Equipment	12	695,670		570,627		546,056	
Heritage Assets		542		542		542	
Investment Properties	13	63,070		43,034		39,754	
Intangible Assets		651		616		543	
Long Term Investments	15	-		5,001		10,004	
Long Term Debtors	14	5,632		2,642		2,453	
TOTAL LONG TERM ASSETS			765,565		622,462		599,352
Current Assets							
Assets held for sale		850		850		1,510	
Inventories		154		240		274	
Debtors and Prepayments	16	7,742		5,168		5,653	
Short Term Temporary Investments	15	37,672		37,088		33,910	
Cash & Cash Equivalents	17	13,969		26,209		15,338	
			60,387		69,555		56,685
Current Liabilities							
Creditors	18	(12,897)		(13,146)		(8,943)	
Provisions	19	(1,521)		(1,356)		(794)	
			(14,418)		(14,502)		(9,737)
LONG TERM LIABILITIES							
Long Term Loans	15	(185,456)		(185,456)		(185,456)	
Pensions Liability	33	(66,981)		(69,929)		(57,820)	
Leasing liability		(2,908)		-		-	
Capital Grant Receipts in Advance		(248)		(1,551)		(986)	
			(255,593)		(256,936)		(244,262)
TOTAL ASSETS LESS LIABILITIES			555,941		420,579		402,038
Usable Reserves		46,863		59,852		56,713	
Unusable Reserves	20	509,078		360,727		345,325	
		555,941		420,579		402,038	

THE CASH FLOW STATEMENT

	Note	2015/16 £000	2014/15 £000
Net Surplus on Provision of Services		28,841	13,638
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	(10,201)	12,882
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(11,344)	(8,950)
<hr/>			
Net cash flows from Operating Activities		7,296	17,570
Investing Activities	22	(22,415)	(7,846)
Financing Activities	23	2,879	1,147
<hr/>			
Net Increase or (Decrease) in cash and cash equivalents		(12,240)	10,871
Cash and Cash Equivalents at the beginning of the reporting period		26,209	15,338
<hr/>			
Cash and Cash equivalents at the end of the reporting period	17	13,969	26,209

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1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES & RESTATEMENT OF PRIOR YEAR FIGURES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2015/16. The Code has been developed by the CIPFA/LASAAC Joint Committee under the oversight of the Financial Reporting Advisory Board as opposed to the Accounting Standards Board as previously.

The Code is based on International Financial Reporting Standards (IFRS) which comprises of International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The Code notes that it interprets and adapts IFRS but such instances are identified within the Code.

There is now a requirement to split other comprehensive income and expenditure between those items that will be credited or debited to the CIES in a future period and those that will not, but only where this is appropriate. There are no items that will appear in the CIES in a future period so the format of the other comprehensive income and expenditure section remains the same.

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.

1.2. ACCOUNTING CONCEPTS

The accounting policies referred to are consistent with the pervasive accounting concepts of:

Going Concern - The accounts have been drawn up on the basis that the Council is going to continue in its operational existence for the foreseeable future.

Accruals - Income and expenditure is recognised in the period to which they relate rather than when the related cash is received or paid.

The Primacy of Legislation - Where there is conflict between legislative requirements and accounting principle, legislative requirements will prevail.

1.3 PROPERTY PLANT AND EQUIPMENT

All expenditure on the acquisition, creation or enhancement of property plant and equipment (PPE) is capitalised on an accruals basis in the accounts. Expenditure is capitalised, provided that the asset yields benefits to the Council and the services it provides is for more than one year. This excludes expenditure on routine repairs and maintenance of assets, which is charged directly to service accounts.

Council dwellings and garages are revalued every year using the Beacon Properties approach as the basis for valuation. The valuation takes the form of a full revaluation followed by four years of desk top revaluations. Other assets are revalued as part of the Council's rolling programme under which assets are revalued over a five year period.

Within the accounts, Council dwellings and associated land were valued on the basis of Existing Use for Social Housing (EUV-SH) being 39% of the Vacant Possession value. The components within the dwelling have been valued based on the proportion of the total dwelling to which their value relates.

An impairment is defined as a loss in value due to the consumption of economic benefits. Where a valuation reduction occurs due to a fall in prices generally this is known as a downward revaluation. In both cases the loss is taken to the revaluation reserve to the extent that revaluation gains relating to that particular asset exists within the revaluation reserve in the first place.

If the value of the impairment or downward revaluation exceeds the revaluation amount relating to that asset already residing in the revaluation reserve then the difference is recognised in the CIES in the year in which it occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation.

Revaluations of individual assets are also undertaken when a material change happens. Infrastructure and community assets do not have a value attributed to them and therefore their value is based on the historic cost of providing the asset. Surplus assets, which are identified for sale on the open market, are revalued at market value which reflects any changes in planning permission granted.

Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use. Investment properties are included in the balance sheet at the lower of net current replacement cost and net realisable value (open market value). Community assets are included in the balance sheet at historical cost and Infrastructure assets at depreciated historic cost.

Long term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes, issued by the Royal Institution of Chartered Surveyors (RICS). Non Current assets (excluding land) are classified as follows:

Type of Asset	Valuation Method
Council Dwellings and Garages	Existing use value for social housing Existing use value
Other land and buildings	Existing use value
Infrastructure assets	Depreciated historic cost
Community assets	Historic cost
Vehicles, plant, furniture and equipment	Depreciated historic cost
Non-operational assets	Existing use value
	Market value
	Historic Cost (where market value for existing use cannot be ascertained)

1.4 DEPRECIATION

In accordance with the provisions of IAS 16, assets are depreciated on a straight-line basis over their useful economic life. Where a unique asset is purchased or constructed the useful life is assessed based on information available concerning that asset. The only general exceptions to this are freehold land, community assets and non-operational investment properties which are not depreciated. Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

1.5 INVESTMENT PROPERTIES

The Council has a significant holding of Investment Properties which are valued on an annual basis. The properties were valued by Deloitte LLP as at 28th February 2016. The properties are valued at fair value in accordance with IFRS 13, being the amount that would be received if the assets were sold without restrictions under usual marketing conditions for that type of asset. Any higher alternative use value has been taken into account where applicable.

In order to provide a fair value for a particular asset a Fair Value hierarchy consisting of 3 levels has been established to assist in the process. Level 1 refers to assets that have quoted prices in active markets at the valuation date. Level 2 to assets that do not have quoted prices but do have other observable inputs to the valuation process. Level 3 is where there are no observable inputs.

Investment properties have been valued based on level 3. The techniques applied in the valuation process have been a combination of market approach, income approach and cost approach as appropriate.

1.6 INVESTMENTS

Investments are accounted for in accordance with IAS 32, 39 and IFRS 7. These reporting standards prescribe the recognition, measurement and disclosure requirements in relation to financial instruments. All the Council's financial assets are in the form of loans and receivables. Investments are therefore shown in the Balance Sheet at amortised cost.

1.7 DEBTORS AND CREDITORS

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and IAS 8. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

The recoverability of the Council's General Fund debts is considered each year through an analysis by age and type of debt outstanding at 31 March. An appropriate provision is made for any bad debts/losses that are anticipated.

1.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be capable of being converted into cash within 24 hours.

1.9 FINANCIAL INSTRUMENTS

Financial assets and liabilities are carried at amortised cost. Credits are made to the CIES for Interest Receivable and are based on the carrying amount multiplied by the effective rate of interest. The amount appearing in the Balance Sheet relates to the principal outstanding plus accrued interest.

1.10 GRANTS AND OTHER CONTRIBUTIONS

Where a grant or contribution has been received the first consideration is whether there is a condition attached to the receipt of that grant. Where there is no condition, or the condition is met, then the income is recognised in the CIES. This income must then be reversed out within the Movement in Reserves Statement. If the related expenditure has been incurred the reversal is to the Capital Adjustment Account, if the expenditure has not been incurred the reversal is to the Capital Grants Unapplied Account.

Where a condition is not met the income must be recognised in the Capital Grants Received in Advance Account. If in a future accounting period the condition is met, at that point the grant income is recognised in the CIES and reversed out in the Movement in Reserves Statement as before. If there is no prospect of the conditions being met the grant monies are held as a creditor until such time as repayment can be made. Where the only condition attached to a grant is that it must be spent on a particular asset or used for a particular purpose then the condition is assumed to be met only when expenditure actually occurs.

1.11 REVENUE GRANTS

Grants are credited to the operational heading to which they relate, or, if they are not specific, to the Taxation and Non-Specific Grant Income section of the CIES, in the year of receipt unless there are conditions attached to the grant that have not yet been met. The Grant is then recognised in the Financial year when the conditions are eventually met.

1.12 COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

Administrative expenses are allocated over all services and to all users including services to the public, trading undertakings, capital accounts and services provided for other bodies and other support services, on a consistent basis applicable to the service provided, i.e. actual time spent by staff, area occupied, per capita, actual use etc.

1.13 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves. They include reserves for the repayment of Housing debt, District Development Fund, Invest to save, insurance, housing repairs, on-street parking, building control and future museum acquisitions. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

1.14 PENSIONS

The accounting treatment for pensions is to recognise the assets, liabilities and long term commitments, rather than merely the contributions to the scheme. The assets of the scheme are measured at realisable value (Bid Values), the liabilities are measured on an actuarial basis which examines the benefits for pensioners and accrued benefits for current scheme members.

1.15 CONTINGENT LIABILITIES

A contingent liability arises when it is possible that an obligation will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council, or a present obligation arising from past events is not recognised because it either is unlikely that a transfer of economic benefits will occur or the amount of such a transfer cannot be measured with sufficient reliability.

1.16 VALUE ADDED TAX (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue and Customs. VAT can only be recovered on partially exempt activities where all such activities account for less than 5% of total VAT on all the Council's activities.

1.17 LEASES

Finance Leases: A finance lease is defined as a lease that transfers substantially the risks and rewards of ownership without necessarily transferring the title. The embedded lease within the waste management contract has been treated as a finance lease.

Operating Leases: An operating lease is defined as any lease that is not a finance lease. The Council has a variety of assets under operating leases, including vehicles, vending machines and mowers. The leases transfer benefits of ownership without actually transferring title to the assets, and therefore in accordance with accounting practice the leased assets are not stated in the Balance Sheet. Hire purchase contracts similar to operating leases are accounted for on the same basis where applicable.

Rentals are charged to service revenue accounts on a straight line basis over the period of the lease. No provision is made for outstanding lease commitments.

Various Council assets, such as Commercial Properties, industrial estate units and areas of land, are let to tenants under the heading operating leases. Rental income (net of cash incentives for a lessee to sign a lease) is credited to the CIES.

Where assets are acquired under operating leases, the leasing rentals payable are charged to revenue. The cost of assets and the related liability for future rentals payable are not shown in the balance sheet but are disclosed in the notes. (See Note 32).

1.18 PRINCIPAL AND AGENT RELATIONSHIPS

Most transactions of the Council are undertaken on its own behalf and thereby the risk and rewards of those transactions belongs to the Council. In these situations the Council is acting as a Principal.

There are, however, some situations where this is not the case and the Council acts as an intermediary or agent. The two main instances relate to the collection of Council Tax and Business Rates where the Council is collecting income on behalf of itself and preceptors. With regard to Council Tax the major preceptors are Essex County Council, Essex Police and Crime Commissioner and Essex Fire Authority and with regard to Business Rates, the Department of Communities and Local Government (DCLG), Essex County Council and Essex Fire Authority.

The Balance Sheet transactions at the year end in relation to these agent relationships are split between the parties with the balances contained in the balance sheet relating to the Council's own portion of the debt and associated balances. The proportion of the transactions relating to the other parties are therefore shown as debtors or creditors due to or from those parties.

1.19 COLLECTION FUND

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non Domestic Rates (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

1.20 EVENTS AFTER THE REPORTING PERIOD

Events occurring after the year end fall into two categories either adjusting or non-adjusting event. In the case of an adjusting event where information becomes available after the year end that provides more certainty relating to conditions that existed at the year end the accounts are adjusted to reflect the new information. In the case of a non adjusting event this usually takes the form of information relevant to an understanding of the accounts rather than relating to conditions that existed at the year end. No adjustment is made to the accounts for such items.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2016 for the 2016/17 financial year).

The changes proposed are not expected to have a material impact on the information in the financial statement

From 2016/17 the format of the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MiRS) will be changing and the Service Reporting Code of Practice (SeRCOP) headings will be removed to be replaced by the Council's own financial reporting headings.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The major uncertainty is around future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Accounts contain a number of figures that are estimated based on historical experience, current trends or other factors that are relevant. As these figures cannot be ascertained with certainty it is possible that actual results could be materially different from those estimated. The items in the Balance Sheet where there is a risk of material adjustment are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 33. The carrying value of the Pensions Liability is (£67 million).

5. EVENTS AFTER THE BALANCE SHEET DATE

The Housebuilding programme commenced during 2014/15 and is split into a number of phases. Phase one in Waltham Abbey commenced in October 2014 and was expected to be completed during 2015/16. However significant delays occurred during the year and at 31 March 2016, of the original contract value of £3.245 million, £1.165 million worth of works was still to be completed. During June 2016 the contract was terminated as the contractor had failed to fulfil the terms of the contract. A new contractor is in the process of being appointed.

The Council is to build a shopping park the contract for which was due to be awarded early in 2016/17 and expected to be around £10.3m. The contract started on 5th September 2016 and is expected to last for 37 weeks. The shopping park is to be constructed partly on the Langston Road depot site and partly on land purchased for £10.25m from Polofind Ltd which is adjacent to the depot. There are also some works required to the road layout in Chigwell Lane and statutory undertakers costs that have already been incurred of a little over £4m and fitting out the units prior to occupation of around £2.5m.

The financial statements were authorised for issue on 20 June 2016 by Robert Palmer BA ACA. The financial statements reflect all events up to this date.

6. 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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2015/16 £000					
	Usable Reserves					
General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	(4,458)	(13,528)	-	-	-	17,986
Reversal of Impairment of non-current assets	7	9,184	-	-	-	(9,191)
Movements in the fair value of Investment Properties	20,036	-	-	-	-	(20,036)
Amortisation of intangible assets	(200)	(12)	-	-	-	212
Capital Grants and contributions applied	1,070	1,857	-	-	-	(2,927)
Revenue expenditure funded from Capital under statute	(815)	-	-	-	-	815
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(14)	(1,792)	-	-	-	1,806
Capital expenditure charged against the General Fund and HRA balances	3,151	4,344	-	-	-	(7,495)
Reversal of Notional Lease adjustment	556	25	-	-	-	(581)
Adjustments primarily involving the Capital Grants Unapplied Account	-	-	-	-	(112)	112
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	27	3,278	(4,179)	-	-	874
Transfer from Deferred Capital receipts on receipt of cash	-	-	(3)	-	-	3
Used to finance new capital expenditure	-	-	19,046	-	-	(19,046)
Contribution towards administrative costs of non-current asset disposals	-	(26)	26	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(856)	-	856	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	425	-	-	-	(425)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	7,615	-	(7,615)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,478	-	(6,478)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES.	(1,609)	(757)	-	-	-	2,366
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	(163)	-	-	-	-	163
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(21)	9	-	-	-	12
TOTAL ADJUSTMENTS	16,711	10,622	15,746	(1,137)	(112)	(41,830)

2014/15
£000
Usable Reserves

	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	(2,637)	(12,955)	-	-	-	15,592
Upward/(Downward) revaluation of non-current assets	(1,490)	16,531	-	-	-	(15,041)
Movements in the market value of Investment Properties	(233)	-	-	-	-	233
Amortisation of intangible assets	(175)	(11)	-	-	-	186
Capital Grants and contributions applied	499	611	-	-	39	(1,149)
Revenue expenditure funded from Capital under statute	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(2,407)	(3,879)	-	-	-	6,286
Capital expenditure charged against the General Fund and HRA	221	5,200	-	-	-	(5,421)
Adjustments primarily involving the Capital Grants Unapplied Account	(9)	-	-	-	9	-
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	2,580	5,716	(8,296)	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	(6)	-	-	6
Used to finance new capital expenditure	-	-	5,402	-	-	(5,402)
Contribution towards administrative costs of non-current asset disposals	(13)	(69)	82	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(751)	-	751	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	82	-	-	-	(82)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	7,321	-	(7,321)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,526	-	(7,526)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES	(1,323)	(576)	-	-	-	1,899
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CIES is different from that calculated in accordance with statutory requirements.	143	-	-	-	-	(143)
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to CIES on an accruals basis is different from that required in accordance with statutory requirements	(41)	(22)	-	-	-	63
TOTAL ADJUSTMENTS	(5,636)	17,949	(2,067)	205	48	(10,499)

7. EARMARKED RESERVES

A summary of balances on earmarked reserves is

	Balance 31			Balance 31			Balance 31
	March 2014 £000	Transfers Out £000	Transfers In £000	March 2015 £000	Transfers Out £000	Transfers In £000	
Housing Repairs Reserve	2,755	(6,264)	5,000	1,491	(6,336)	5,855	1,010
District Development Fund	3,848	(2,110)	1,861	3,599	(1,909)	2,052	3,742
Invest to Save Reserve	-	-	500	500	(75)	-	425
Self Financing Reserve	6,360	-	3,180	9,540	-	3,180	12,720
Deferred Revenue Income	458	(20)	-	438	(22)	324	740
Insurance Reserve	1,049	-	20	1,069	(54)	-	1,015
Service Enhancement Fund (HRA)	112	(837)	904	179	(179)	-	-
Building Control	21	-	60	81	-	47	128
On Street Parking	28	(12)	-	16	(16)	-	-
Museum Fund	26	(18)	45	53	(6)	40	87
All Weather Pitch	-	-	17	17	-	15	32
O2 Mast Fund	-	(22)	70	48	(19)	6	35
Rental Loans	191	(23)	-	168	(6)	-	162
Small Loans Fund	5	-	1	6	-	-	6
Total Earmarked Reserves	14,853	(9,306)	11,658	17,205	(8,622)	11,519	20,102

8. OTHER OPERATING EXPENDITURE

	31 March	
	2016 £000	2015 £000
Parish Council Precepts	3,160	3,077
Parish Support Grants	246	281
Payments to the Government Housing Receipts Pool	856	751
(Gains)/losses on the disposal of non-current assets	(1,476)	(1,928)
Total	2,786	2,181

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March	
	2016 £000	2015 £000
Total Net Surplus from Trading Operations (Note 25)	(2,465)	(2,620)
Interest payable and similar charges	5,614	5,564
Pensions interest cost	2,172	2,453
Interest receivable and similar income	(679)	(446)
Changes in Fair Values of Investment Properties	(20,036)	233
Changes in Value of Deferred Capital Receipts	(425)	(82)
Reversal of Investment Impairment	-	(100)
Total	(15,819)	5,002

10. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March	
	2016 £000	2015 £000 <i>Restated</i>
Council Tax income	(11,581)	(10,829)
Non Domestic Rate income	(13,406)	(12,526)
Non Domestic Rate tariff payment	10,230	10,038
Non-ring fenced government grants	(5,448)	(6,151)
Capital grants and other contributions	(2,927)	(1,110)
Total	(23,132)	(20,578)

12. PROPERTY, PLANT & EQUIPMENT

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2015	513,591	38,511	13,630	8,276	2,038	646	4,284	580,976
Restated	(43)	-	7	-	-	-	-	(36)
1 April 2015	513,548	38,511	13,637	8,276	2,038	646	4,284	580,940
Additions	10,182	850	4,446	228	-	-	18,758	34,464
Disposals	(1,782)	-	(435)	-	-	-	(30)	(2,247)
Reclassified in year	1,769	2,645	847	-	(895)	(106)	(4,260)	-
Revaluations Applied to the CIES	9,184	(1,685)	-	-	-	-	-	7,499
Revaluation Credited to the Revaluation reserve	99,361	338	-	-	-	710	798	101,207
Accumulated Depreciation & Impairment written off on revaluation	(13,148)	(113)	-	-	-	-	(4)	(13,265)
Gross Book Value 31 March 2016	619,114	40,546	18,495	8,504	1,143	1,250	19,546	708,598
Depreciation 31 March 2015	1	(454)	(7,068)	(2,828)	-	-	-	(10,349)
Restated	-	-	-	-	-	-	-	-
1 April 2015	1	(454)	(7,068)	(2,828)	-	-	-	(10,349)
Reclassified	7	-	-	-	-	-	(7)	-
Depreciation in Year	(13,201)	(1,013)	(1,277)	(229)	-	-	-	(15,720)
Depreciation on Leased Assets	-	-	(581)	-	-	-	-	(581)
Depreciation on Assets Sold	45	-	412	-	-	-	-	457
Accumulated Depreciation & Impairment written off on revaluation	13,148	113	-	-	-	-	4	13,265
Depreciation 31 March 2016	-	(1,354)	(8,514)	(3,057)	-	-	(3)	(12,928)
Net Book Value 31 March 2016	619,114	39,192	9,981	5,447	1,143	1,250	19,543	695,670

PROPERTY, PLANT AND EQUIPMENT (RESTATED)

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructur e Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2014	485,794	43,520	15,981	18,689	2,822	796	1,688	569,290
Restated	-	-	-	(10,758)	(784)	-	(210)	(11,752)
1 April 2014	485,794	43,520	15,981	7,931	2,038	796	1,478	557,538
Additions	12,383	860	648	497	-	-	1,288	15,676
Disposals	(3,309)	(210)	(2,999)	-	-	-	(30)	(6,548)
Reclassified in year	(683)	(824)	-	(152)	-	(700)	1,548	(811)
Revaluations Applied to the CIES	16,529	(1,488)	-	-	-	-	-	15,041
Revaluation Credited to the Revaluation reserve	15,450	(757)	-	-	-	557	-	15,250
Accumulated Depreciation & Impairment Written off on revaluation	(12,573)	(2,590)	-	-	-	(7)	-	(15,170)
Gross Book Value 31 March 2015	513,591	38,511	13,630	8,276	2,038	646	4,284	580,976
Depreciation 31 March 2014	-	(2,113)	(7,016)	(5,676)	-	(8)	-	(14,813)
Restated Depreciation	-	-	-	3,331	-	-	-	3,331
1 April 2014	-	(2,113)	(7,016)	(2,345)	-	(8)	-	(11,482)
Reclassified	1	(23)	-	22	-	-	-	-
Depreciation in Year	(12,655)	(919)	(1,513)	(505)	-	-	-	(15,592)
Depreciation on disposed assets	82	11	1,461	-	-	-	-	1,554
Accumulated Depreciation & Impairment written off on revaluation	12,573	2,590	-	-	-	8	-	15,171
Depreciation 31 March 2015	1	(454)	(7,068)	(2,828)	-	-	-	(10,349)
Net Book Value 31 March 2015	513,592	38,057	6,562	5,448	2,038	646	4,284	570,627

PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	1,165	18,495	8,504	1,143	-	17,740	47,047
Valued at fair value as at:								
29 February 2016	619,114	2,343	-	-	-	1,250	1,550	624,257
31 March 2015	-	27,608	-	-	-	-	66	27,674
31 March 2014	-	9,028	-	-	-	-	40	9,068
31 March 2013	-	275	-	-	-	-	-	275
31 March 2012	-	127	-	-	-	-	150	277
Total Cost or Valuation	619,114	40,546	18,495	8,504	1,143	1,250	19,546	708,598

The Council dwellings and garages valuation has been carried out by District Valuer Thomas Dimmock and MRICS. The valuation date for

The useful lives of both dwellings and the components within have been reviewed during 2015/16. The useful life of the buildings has been

Type of Asset	Estimated Useful Life
Council Dwellings and Garages	15 to 60
Other land and buildings	20 to 50
Infrastructure assets	15 to 40
Community assets	Indeterminable
Vehicles, plant, furniture and equipment	5 to 20

13. INVESTMENT PROPERTY

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES. Income and expenditure relating to the General Fund is recorded under trading operations.

	31 March	
	2016 £000	2015 £000
Rental income from investment property	4,170	4,177
Direct operating expenses arising from investment property	(900)	(349)
Net gain/(loss)	3,270	3,828

The following table summarises the movement in fair value of investment properties over the year. Most property valuations have increased industrial estates by 8.5m and commercial properties by £10.5m. All investment properties have been valued based on Level 3 unobservable inputs using an Income approach and that their current use is their highest and best use. The updated valuations were carried out as at 28 February 2016. The acquisition in the prior year related to the purchase of the long leasehold interest in 2-18 Torrington Drive, Loughton.

Properties Categorised within level 3

	31 March	
	2016 £000	2015 £000
Balance as at 31 March	43,034	39,754
Reclassified		
Balance as at 1 April	43,034	39,754
Reclassified in year	-	(39)
Acquisition	-	3,524
Construction	-	28
Net gains/(losses) from fair value adjustments	20,036	(233)
Balance at end of the year	63,070	43,034

14. LONG TERM DEBTORS

	31 March	
	2016 £000	2015 £000
Mortgages	2	5
Capital Advances (B3 Living)	584	493
Rents to Mortgages	2,000	1,575
Other Local Authorities - Transferred Debt	323	351
Loan to Waste Management Contractor	2,413	-
Home Assist Loans	260	143
Place Loans	50	75
Net Carrying Amount at end of year	5,632	2,642

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Financial liabilities at amortised cost				
Borrowing	185,456	185,456	-	-
Trade Creditors	-	-	6,663	6,076
Total financial liabilities	185,456	185,456	6,663	6,076
Loans and receivables				
Investments	-	5,001	37,672	37,088
Debtors	5,632	2,642	7,668	5,583
Cash	-	-	2,469	11,209
	5,632	7,643	47,809	53,880
Available for Sale	-	-	11,500	15,000
Total financial assets	5,632	7,643	59,309	68,880

On 28 March 2012 the Council took on debt of £185.456m from the Public Works Loan Board (PWLB) to pay the Department of Communities and Local Government on the cessation of the HRA Subsidy System.

The item included under Available for Sale in the financial instruments balances table above is included within the cash & cash equivalents on the balance sheet. The £11.5m relates to an investment made to a Money Market Fund and interest accrued, which needs to be reported under Available for Sale within the financial instruments balances. The Code of Practice requires an Available for Sale Financial Instruments Reserve Account to record any unrealised gains or losses from holding available for sale investments. However, as this is a Money Market Fund which has a constant net asset value, this means that each £1 invested buys 1 unit, which is re-priced back to £1 at the end of each day. All gains are realised and credited to the CIES.

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments consists of the following items:

	Financial Liabilities:		Financial Assets:	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Interest expense	(5,579)	(5,564)	-	-
Impairment (losses) / gains	-	-	-	-
Interest payable and similar charges	(5,579)	(5,564)	-	-
Interest income	-	-	679	446
Interest and investment income	-	-	679	446
Net gain/(loss) for the year	(5,579)	(5,564)	679	446

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, i.e. the aggregate of principal and accrued interest. Fair value is the amount for which an asset can be exchanged, or a liability settled. The Council's debt outstanding at 31 March 2016 consists of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loans on these dates.

The fair value for financial assets can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions: a) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; b) the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2016		31 March 2015	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<u>Financial liabilities</u>				
Borrowing	185,501	222,945	185,501	223,847
Long-term creditors	-	-	-	-
Total Financial Liabilities	185,501	222,945	185,501	223,847
<u>Financial assets</u>				
Investments	37,672	37,672	42,089	42,089
Long-term debtors	5,632	5,632	2,642	2,642
Total Financial Assets	43,304	43,304	44,731	44,731

The fair value of long term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

The Council had Nil (£5,001,000 at 31 March 2015) classed as investments in excess of one year at 31 March 2016. In the prior year, this related to an investment totalling £5m made to another local authority and £1,000 other long term investments. It is assumed that the carrying amount shown in the balance sheet is approximate to the fair value.

16. DEBTORS AND PREPAYMENTS

	31 March	
	2016 £000	2015 £000
Amounts falling due in one year		
Government Departments	1,034	793
Other Local Authorities	1,345	692
Council Tax arrears	482	543
NDR arrears	369	327
Housing Rent arrears	312	422
Sundry debtors	3,802	2,281
Prepayments & Deposits	398	110
Total Debtors	7,742	5,168

Council Tax and Business Rates arrears shown above and the related bad debt provision relate only to the Council's proportion of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments. In 2015/16 there was a net creditor for both Council Tax and Business Rates.

17. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements.

	31 March	
	2016 £000	2015 £000
Cash	45	48
Bank current accounts	2,424	11,161
Short-term deposits with money market funds	11,500	15,000
Total Cash and Cash Equivalents	13,969	26,209

The 'Short-term deposits' relates to £11.5m deposits made to a number of different Money Market Funds. This has been included within the cash equivalents as funds can be drawn down and used on the day of request. The fund has a constant net asset value, this means that each £1 put in buys 1 unit, which is re-priced back to £1 at the end of each day.

18. CREDITORS

	31 March	
	2016 £000	2015 £000
Government Departments and Other Local Authorities	4,003	5,177
Council Tax	219	240
Non Domestic Rates	385	325
Housing rents	301	251
Sundry creditors	4,742	4,454
Accruals and deferred income	3,247	2,699
Total Creditors	12,897	13,146

Included within creditors is £3,000 (£3,000 at 31 March 2015) relating to Waltham Abbey Tourist Information Centre. This falls within the definition of a related party. Council Tax and Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as being due to Government Departments and Other Local Authorities. This is shown net of arrears, Collection Fund balance and, in the case of Business Rates, Provision for Appeals. There was a net creditor in relation to Council Tax and Business Rates at the end of 2015/16.

19. PROVISIONS

An outstanding legal case provision of £91,000 is included as at 31 March 2016. Agreement between the parties was reached regarding proceedings brought by property search companies for the refund of fees paid by them to the Council. The settlement, in the sum of £105,000 including interest, was reached during 2014/15 and an estimate of £40,000 for costs was also provided. There was some concern that the claimants still intended to advance a claim for damages against authorities for anti competitive behaviour, however it was agreed not to pursue this as part of the settlement agreement. There is still significant doubt around the exact value of liability for costs which is why the unused amount above has been retained as a provision.

With the retention of Business Rates income the Council has had to take on the liability for settling appeals. It has been necessary to make a provision for those appeals within the Collection Fund. The total amount being £3.57 million of which £1.43 million relates to this Council.

20. USABLE AND UNUSABLE RESERVES

Movements in Usable Reserves are shown in detail on the Movement in Reserves Statement.

	31 March	
	2016 £000	2015 £000
Revaluation Reserve	126,651	26,248
Capital Adjustment Account	444,103	403,186
Pensions Reserve	(66,981)	(69,929)
Deferred Capital Receipts Reserve	5,839	1,580
Collection Fund Adjustment Account	(296)	(132)
Accumulated Absences Account	(238)	(226)
Total Unusable Reserves	509,078	360,727

Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March	
	2016 £000	2015 £000
Balance as at 1 April	26,248	12,587
Prior Year Adjustment	(6)	
Revaluations during the year	101,207	15,251
Depreciation adjustment	(743)	(236)
Disposals/Restatements	(55)	(1,354)
Balance at 31 March	126,651	26,248

Capital Adjustment Account

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 provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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.

Note 6 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

	31 March		2015 £000 Restated
	2016 £000	£000	
Balance at 1 April		403,186	389,492
Reversal of items relating to capital expenditure debited or credited to the CIES			
Charges for depreciation and impairment of non-current assets	(15,719)		(15,592)
Depreciation Leased Assets	(581)		
Amortisation of intangible assets	(212)		(186)
Reversal of Notional Lease	581		
Revaluation gains/(losses) on Property, Plant and Equipment	7,498		15,041
Revenue expenditure funded from capital under statute	(815)		
Transfer To Deferred Capital Receipts	(4,711)		
Amounts for non-current assets written off on disposal or sale as Adjusting Amounts written out of the Revaluation Reserve	(1,806)	(15,765)	(6,286)
		799	1,589
		388,220	384,058
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	19,046		5,402
Use of the Major Repairs Reserve to finance new capital expenditure	6,478		7,526
Capital grants credited to the CIES that have been applied to Capital expenditure charged against the General Fund and HRA balances	2,815		1,149
Asset Restatements	7,495	35,834	5,421
Movement in the market value of Investment Properties debited		13	(137)
		20,036	(233)
Balance at 31 March		444,103	403,186

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance of the Pension Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council have set aside to meet them. The statutory arrangements ensure the funding will have been set aside by the time the benefits come to be paid.

	31 March	
	2016 £000	2015 £000
Balance at 1 April	(69,929)	(57,820)
Remeasurements of the net defined liability/(asset)	5,314	(10,210)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(6,518)	(6,101)
Employers pensions contributions and direct payments to pensioners payable in the year	4,152	4,202
Balance at 31 March	(66,981)	(69,929)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the cash is eventually received, amounts are transferred to the Capital Receipts Reserve.

	31 March	
	2016 £000	2015 £000
Balance at 1 April	1,580	1,504
Repayment of Mortgages	(3)	(6)
Rents to mortgages	425	82
B3 Living loans	583	-
Waste Contractor Loan	3,254	-
Balance at 31 March	5,839	1,580

21. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjust net surplus or deficit on the provision of services for non cash movements

	31 March	
	2016 £000	2015 £000
Depreciation	15,720	15,592
Amortisation	212	186
Impairment and upward revaluations	(7,512)	(14,903)
Increase / (Decrease) in Creditors	(70)	1,520
(Increase) / Decrease in Interest and Dividend Debtors	(7)	29
(Increase) / Decrease in Debtors	(3,031)	1,414
(Increase) / Decrease in Inventories	86	34
Pension Liability	2,366	1,899
Carrying amount of non-current assets sold	1,806	6,286
Other non-cash items charged to the net surplus or deficit on the provision of services	(19,778)	825
Total	(10,208)	12,882

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

	31 March	
	2016 £000	2015 £000
Any other items for which the cash effects are investing or financing cash flows	(2,927)	(572)
Proceeds from the sale of property and equipment, investment property and intangible assets	(8,417)	(8,378)
Total	(11,344)	(8,950)

Operating activities within the cashflow statement include the following cash flows relating to interest and other operating

	31 March	
	2016 £000	2015 £000
Interest received	595	382
Interest charge for the year	(4,806)	(5,565)
Other operating activities	11,507	22,753
Total	7,296	17,570

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March	
	2016 £000	2015 £000
Purchase of property, plant and equipment, investment property	(30,957)	(18,964)
Purchase of short-term and long-term investments	(105,500)	(68,003)
Other payments for Investing Activities	(6,245)	(201)
Proceeds from sale of property, plant and equipment, investment	9,293	8,384
Proceeds from short-term and long term investments	110,001	69,801
Other receipts from investing activities	993	1,137
Net cash flows from investing activities	(22,415)	(7,846)

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March	
	2016 £000	2015 £000
Billing Authorities - Council Tax and NNDR adjustments	2,879	1,147
Net cash flows from financing activities	2,879	1,147

24. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

	2015/16						Total £000
	Communities £000	Governance £000	Neighbourhoods £000	Chief Executive £000	Resources £000	Housing Revenue Account £000	
Fees, charges & other service income	(1,146)	(1,782)	(8,712)		(477)	(35,576)	(47,693)
Gain on Revaluation						(9,184)	(9,184)
Government Grants	(439)	(140)			(37,552)	(5)	(38,136)
Total Income	(1,585)	(1,922)	(8,712)	-	(38,029)	(44,765)	(95,013)
Employee Expenses	1,998	1,638	2,707	25	2,072	3,197	11,637
Other Service Expenses	1,876	605	9,622	(330)	749	9,382	21,904
Support Service Recharges	1,068	2,282	2,984	1,400	1,484	2,939	12,157
Asset Charges	1,791		2,256		6	13,574	17,627
Benefit Payments					36,510		36,510
Total Operating Expenditure	6,733	4,525	17,569	1,095	40,821	29,092	99,835
Net Cost Of Services	5,148	2,603	8,857	1,095	2,792	(15,673)	4,822

	2014/15						Total £000
	Communities £000	Governance £000	Neighbourhoods £000	Chief Executive £000	Resources £000	Housing Revenue Account £000	
Fees, charges & other service income	(1,074)	(5,076)	(5,082)	-	(503)	(34,604)	(46,339)
Gain on Revaluation	-	-	-	-	-	(16,531)	(16,531)
Government Grants	(390)	(59)	(25)	-	(38,055)	-	(38,529)
Total Income	(1,464)	(5,135)	(5,107)	-	(38,558)	(51,135)	(101,399)
Employee Expenses	1,922	1,477	2,394	34	2,034	3,208	11,069
Other Service Expenses	1,680	1,228	9,667	(335)	716	9,372	22,328
Support Service Recharges	1,146	2,780	2,582	1,432	1,329	2,643	11,912
Asset Charges	115	261	3,160	-	12	13,015	16,563
Benefit Payments	-	-	-	-	36,631	-	36,631
Total Operating Expenditure	4,863	5,746	17,803	1,131	40,722	28,238	98,503
Net Cost Of Services	3,399	611	12,696	1,131	2,164	(22,897)	(2,896)

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

	2015/16 £000	2014/15 £000
Net Expenditure in the Directorate Analysis	(4,822)	(2,896)
Services and Support Services not in analysis	(38)	32
Amounts included in the Analysis not included in the Net Cost of Service	(2,464)	2,621
Cost of Services in CIES	(7,324)	(243)

Reconciliation to Subjective Analysis

	2015/16					
	Directorate Analysis £000	Services and Support Services not in analysis £000	Amounts not included in Net Cost of Service £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(47,692)		4,396	(43,296)	(4,396)	(47,692)
Gain on Revaluation	(9,184)			(9,184)		(9,184)
Interest and Investment Income				-	(679)	(679)
Income from Council Tax				-	(11,581)	(11,581)
Government Grants and Contributions	(38,136)			(38,136)	(11,551)	(49,687)
Total Income	(95,012)	-	4,396	(90,616)	(28,207)	(118,823)
Employee Expenses	11,637	38	(651)	11,024	2,823	13,847
Other Service Expenses	58,414		(564)	57,850	564	58,414
Support Service Recharges	12,157		(662)	11,495	662	12,157
Asset Charges	17,626		(55)	17,571	(19,982)	(2,411)
Interest Payments				-	5,614	5,614
Precepts and Levies				-	3,406	3,406
Payments to Housing Capital Receipts Pool				-	856	856
(Gain)/Loss on Disposal of Fixed Assets				-	(1,476)	(1,476)
Rents to mortgages valuation increase				-	(425)	(425)
Total Expenditure	99,834	38	(1,932)	97,940	(7,958)	89,982
Surplus/(Deficit) on the provision of services	4,822	38	2,464	7,324	(36,165)	(28,841)

Reconciliation to Subjective Analysis

2014/15

	Directorate Analysis £000	Services and Support Services not in analysis £000	Amounts not included in Net Cost of Service £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(46,339)		4,410	(41,929)	(4,410)	(46,339)
Gain on Revaluation	(16,531)			(16,531)		(16,531)
Interest and Investment Income				-	(446)	(446)
Income from Council Tax				-	(10,829)	(10,829)
Government Grants and Contributions	(38,529)			(38,529)	(9,749)	(48,278)
Total Income	(101,399)	-	4,410	(96,989)	(25,434)	(122,423)
Employee Expenses	11,070	32	(653)	10,449	3,106	13,556
Other Service Expenses	58,959		(490)	58,469	490	58,959
Support Service Recharges	11,912		(598)	11,314	598	11,912
Asset Charges	16,563		(50)	16,513	183	16,696
Interest Payments					5,564	5,564
Precepts and Levies					3,358	3,358
Payments to Housing Capital Receipts Pool					751	751
(Gain)/Loss on Disposal of Fixed Assets					(1,928)	(1,928)
Rents to mortgages valuation increase					(82)	(82)
Total Expenditure	98,504	32	(1,790)	96,746	12,040	108,786
Surplus/(Deficit) on the provision of services	(2,895)	32	2,620	(243)	(13,394)	(13,637)

25. TRADING OPERATIONS

The trading operations of the Council comprise a number of commercial properties and industrial estates including North Weald Airfield where units are leased to local businesses at market rates, the Fleet Operations Service provides MOT testing and motor servicing to the public, and is currently under review.

	2015/16 Expenditure £000	2015/16 Income £000	2015/16 Surplus/Deficit £000
Industrial Estates	238	(1,298)	(1,060)
Commercial Properties	413	(2,135)	(1,722)
Fleet Operations	472	(454)	18
North Weald Centre	1,036	(737)	299
Total Surplus	2,159	(4,624)	(2,465)
2014/15	2,013	(4,633)	(2,620)

26. MEMBER ALLOWANCES

Member allowances and expenses are shown below. Further details of these allowances are available on page 62.

	2015/16 £000	2014/15 £000
Allowances	313	309
Expenses	6	7
Total	319	316

27. OFFICER REMUNERATION

	2015/16			
	Salary (Including fees & Allowances)	Benefits in Kind	Pension Contributions	Total Remuneration including pension contributions.
	£	£	£	£
Chief Executive	112,000	1,354	17,808	131,162
Director of Neighbourhoods	93,847	2,893	14,922	111,662
Director of Communities	92,904	1,275	14,735	108,914
Director of Resources	92,224	2,390	14,663	109,277
Director of Governance	91,970	1,264	14,623	107,857
	2014/15			
	Salary (Including fees & Allowances)	Benefits in Kind	Pension Contributions	Total Remuneration including pension contributions.
	£	£	£	£
Chief Executive	112,000	1,407	17,808	131,215
Director of Neighbourhoods	92,118	2,704	14,646	109,468
Director of Communities	90,273	1,284	14,333	105,890
Director of Resources	90,955	2,276	14,461	107,692
Director of Governance	91,974	1,256	14,623	107,853

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension Contributions relate to Employer's contributions of 15.9%.

The number of employees whose remuneration, including benefits in kind, but excluding employers pension contributions, was £50,000 or more in bands of £5,000 were (there were no officers in bands between £115,000 - £149,999).

Remuneration Band	2015/16 Number of Employees	2014/15 Number of Employees
£50,000 - £54,999	3	9
£55,000 - £59,999	12	7
£60,000 - £64,999	1	2
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	4	4
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	1
Total	21	23

Termination Benefits

Exit Package Cost Band (including special payments)	2015/16			Total Cost of Exit Packages in each band
	Number of Compulsory Redundancies	Number of Other Departures	Total number of Exit Packages	
£0- £20,000	1	2	3	37,066
£20,000 - £40,000				
£40,001 - £60,000				
£60,001 - £80,000				
Total cost included in bandings and in the CIES				37,066

28. EXTERNAL AUDIT FEES

The following external audit fees have been paid to Public Sector Audit Appointments Ltd.

	2015/16 £000	2014/15 £000
Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year.	65	86
Fees payable to BDO LLP for the certification of grant claims and returns for the year.	19	25
Fees paid in respect of other services	2	
Rebate of fees from Audit Commission		(9)
Total	86	102

29. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	2,445	3,410
New Homes Bonus	2,113	1,854
S31 Small business rate Relief	793	757
Council Tax Freeze grant	83	83
Community Projects	9	16
Other	5	31
Total	5,448	6,151

	2015/16 £000	2014/15 £000
Credited to Services		
Department for Work and Pensions	37,237	37,651
Department for Communities and Local Government	499	819
Essex County Council	1,082	866
Essex Police Authority	79	44
Town and Parish councils	6	37
Broxbourne Borough Council	82	48
Cabinet office	37	116
Essex Fire Authority	36	-
Lottery Fund	-	33
Harlow Borough Council	24	60
Other grants and contributions received	24	54
Total	39,106	39,728

30. RELATED PARTY DECLARATIONS

There were no transactions meeting the definition of a related party transaction within 2015/16 or 2014/15.

31. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2016 £000	2015 £000
<i>Opening Capital Financing Requirement</i>	184,672	184,672
Capital Investment		
Property, Plant and Equipment	34,464	15,615
Investment Properties	-	3,552
Revenue Expenditure Funded from Capital Under Statute	2,322	-
Private Sector Housing Loans	265	61
Intangible Assets	248	270
Sources of Finance		
Capital Receipts	(19,046)	(5,402)
Government grants and other contributions	(3,725)	(1,149)
Major Repairs Reserve	(6,477)	(7,526)
Direct revenue contributions	(8,051)	(5,421)
Closing Capital Financing Requirement	184,672	184,672

32. LEASES

The Council has leases with third parties under operating leases with rental income from the lease being credited to trading operations.

Assets Leased to Third Parties	2015/16 £000	2014/15 £000
The total of future minimum lease payments due within 1 year are:		
Land & Buildings		
Shops	1,835	1,958
Industrial & Commercial	1,021	1,054
Other	313	310
Total Rental Receivable	3,169	3,322

The timing of total future minimum lease payments are:

	31 March 2016		31 March 2015	
	Receipts due between 2 and 5 years	Total receipts due thereafter	Receipts due between 2 and 5 years	Total receipts due thereafter
	£000	£000	£000	£000
Land & Buildings				
Shops	5,902	7,327	6,474	8,593
Industrial & Commercial	3,954	51,779	4,068	52,597
Other	944	5,167	1,077	4,249
Total	10,800	64,273	11,619	65,439

Gross Amount of Assets held for use in operating leases.

	31 March	
	2016 £000	2015 £000
Land & Buildings		
Shops	29,785	20,117
Industrial & Commercial	21,872	13,355
Other	11,413	9,562
Total Assets	63,070	43,034

There are no accumulated depreciation charges on the assets held for use in operating leases.

Notional lease with Biffa.

Under IFRIC 12 the Waste Collection contract is deemed to contain a service concession. The contract contains a capital element related to the provision of specialised vehicles. The Council has to recognise these assets in it's own Balance Sheet together with a liability for a Finance Lease.

The assets are carried as PPE as the following net amounts :-

	2015/16 £000	2014/15 £000
Vehicles, Plant, Furniture and Equipment	3,490	-
	3,490	-

The Council is committed to making payments under this lease comprising settlement of the long term liability for the interest in the property acquired by the Council, and the finance costs that are payable.

The minimum lease payments are made up of the following amounts :-

		2015/16 £000	2014/15 £000
Minimum lease payments	Current	933	-
	Non Current	2,723	-
Finance Costs payable in future years		417	-
Minimum Lease Payments		4,073	-

The Minimum lease payments will be payable over the following periods :-

	Minimum Lease Payments		Finance Lease Liabilities	
	31.3.2016 Net Exp £000	31.3.2015 Net Exp £000	31.3.2016 Net Exp £000	31.3.2015 Net Exp £000
Not later than one year	1,937	-	1,937	-
Later than one year and not later than 5 years	2,136	-	2,136	-
	4,073	-	4,073	-

33. PENSIONS

Employees of Epping Forest District Council are admitted to the Essex County Council Pension Fund ("the Fund"), which is administered by Essex County Council under the Regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. The Fund is a funded scheme meaning that the authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

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

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary, Barnett Waddingham Public Sector Consulting, as at 31 March 2016. The approach to calculating the IAS19 figures in between full actuarial valuations is approximate in nature. Broadly the approach by the Actuaries assumes that the experience of the Fund will be in line with the actuarial assumptions used for IAS19 purposes. The approach adopted by the Actuary follows "IAS 19 - Calculation Guide for Local Authorities".

The Council recognises 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 made against Council Tax is based on contributions payable to the fund in respect of 2015/16 so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

The transactions below have been made in the CIES during the year.

Comprehensive Income and Expenditure Statement

	2015/16 £000	2014/15 £000
Service Cost	4,290	3,601
Net interest charged	2,172	2,453
Administration Expenses	56	47
Net charge made to the CIES	6,518	6,101

Re-measurements in other comprehensive income

	2015/16 £000	2014/15 £000
Return on Fund assets in excess of interest	(913)	9,550
Change in financial assumptions	6,130	(19,841)
Experience gain/(loss) on defined benefit obligation	97	81
Remeasurement of the net assets/(defined liability)	5,314	(10,210)

Pension Assets and Liabilities Recognised in the Balance Sheet

	2015/16 £000	2014/15 £000
Present value of the funded obligation	179,907	180,932
Present value of the unfunded obligation	3,733	4,086
Fair value of scheme assets	(116,659)	(115,089)
Net Liability in the Balance Sheet	66,981	69,929

Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		All Funded/Unfunded Liabilities: Local Government Pension Scheme	
	2016 £000	2015 £000	2016 £000	2015 £000
Net pensions liability at 1 April	(4,086)	(4,101)	(185,018)	(159,515)
Movements in the current year				
Current service cost	-	-	(4,273)	(3,572)
Interest cost	(126)	(173)	(5,837)	(6,915)
Change in financial assumptions	62	(224)	6,130	(19,841)
Change in demographic assumptions		-		-
Experience gain	97	81	97	81
Estimated benefits paid		-	5,994	5,479
Employers' contributions payable to scheme		-		-
Past service cost including curtailments		-	(17)	(29)
Contributions by scheme participants		-	(1,036)	(1,037)
Unfunded pension payments	320	331	320	331
Actuarial gain/(loss)		-		-
Net pensions liability at 31 March	(3,733)	(4,086)	(183,640)	(185,018)

Reconciliation of fair value of the Scheme Assets:

	2016 £000	2015 £000
Fair value of the plan assets at 1 April	115,089	101,695
Interest on assets	3,665	4,462
Return on assets less interest	(913)	9,550
Administration Expenses	(56)	(47)
Employer contributions including unfunded	4,152	4,202
Contributions by scheme participants	1,036	1,037
Benefits paid	(6,314)	(5,810)
Fair value of the plan assets at 31 March	116,659	115,089

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. The actual return on assets less interest in the year was £(0.9 million) (£9.5 million for 2014/15). The major factor in the downward trend in investment returns is due to the volatile nature of assets employed being below the discount factor employed by the Actuaries. The weighted average duration of the defined benefit obligation for scheme members is 17 Years (17 years in 2014/15).

Scheme History

	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
Present Value of Liabilities	(183,640)	(185,018)	(159,515)	(170,417)	(150,823)
Fair Value of Assets	116,659	115,089	115,089	95,060	85,198
Surplus/(deficit) in the scheme	(66,981)	(69,929)	(44,426)	(75,357)	(65,625)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £66.98 million in the balance sheet has decreased the reported net worth of the Council by 12% (16% 2014/15).

However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be gradually eliminated by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

The total employer contributions expected to be made to the scheme by the Council in the year to 31 March 2017 is £3.89 million. The Service Cost is expected to be £4.07 million for the year to 31 March 2017.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddingham, a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary have been:

Long term expected rate of return of assets in the scheme:

	2015/16 %	2014/15 %
Equity investments	5.40	5.40
Government bonds	2.30	2.30
Other bonds	3.20	3.00
Property	4.40	4.40
Cash\Liquidity	1.70	2.00
Alternative assets	3.20	3.00
Other Managed funds	3.20	-
Mortality Assumptions		
Longevity at 65 for current pensioners in years:		
Men	22.90	22.80
Women	25.30	25.20
Longevity at 65 for future pensioners in years:		
Men	25.20	25.10
Women	27.70	27.60
Rate of Inflation RPI	3.20%	3.10%
Rate of Inflation CPI	2.30%	2.20%
Rate of Increase in Salaries	4.10%	4.00%
Rate of Increase in pensions	2.30%	2.20%
Rate for discounting scheme liabilities	3.50%	3.20%

The Scheme's assets consist of the following categories, by proportion of the total assets held.

	As at 31 March 2016		As at 31 March 2015	
	£000	%	£000	%
Equities	78,956	68	77,421	67
Government Bonds	3,439	3	5,057	4
Other Bonds	5,599	5	11,016	10
Property	13,893	12	12,500	11
Cash/Liquidity	3,790	3	2,523	2
Alternative Assets	5,187	4	6,572	6
Other Managed Funds	5,795	5	-	-
Total	116,659	100	115,089	100

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2014 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

Sensitivity Analysis as at 31 March 2016	Sensitivity 1	Sensitivity 2	Sensitivity 3
	£000s	£000s	£000s
<u>Adjustment to discount rate</u>	+0.1% p.a.	0.0% p.a.	-0.1% p.a.
Present value of total obligation	180,615	183,640	186,718
Projected service cost	3,988	4,070	4,153
<u>Adjustment to long term salary increase</u>			
Present value of total obligation	183,901	183,640	183,379
Projected service cost	4,072	4,070	4,068
<u>Adjustment to pension increases and deferred revaluation</u>			
Present value of total obligation	186,490	183,640	180,838
Projected service cost	4,152	4,070	3,989
<u>Adjustment to mortality age rating assumption</u>	+1year	none	-1year
Present value of total obligation	182,249	183,640	178,202
Projected service cost	4,174	4,070	3,969

34. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2015/16 this was agreed at Full Council on 20 February 2015). The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities expose it to a variety of financial risks, the key risks are:

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Investments

The risk is minimised through the Annual Investment Strategy, which requires that deposits are made with Debt Management Office, other local authorities, AAA rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10m is placed on the amount of money that can be invested with a single counterparty excepting UK Central Government which is unlimited. The Council also sets a total group investment limit (£10m) for institutions that are part of the same banking group.

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2016, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

The amounts below include the money market fund which is included in cash and cash equivalents.

	Credit rating	Balance invested as at 31 March 2016					Total
		Up to 1 month	Between 1 and 3	Between 4 and 6 months	Between 7 and 12	Greater than 12 months	
		£000	£000	£000	£000	£000	
Banks UK	YES	8,113	5,000	3,000	5,000	0	21,113
Total Banks		8,113	5,000	3,000	5,000	0	21,113
Building Societies	YES			1,000			1,000
Local Authorities			11,000	2,500	5,000		18,500
Money Market Funds	YES	11,500					11,500
Total		19,613	16,000	6,500	10,000	0	52,113

Debtors

The following analysis summaries the Council's potential maximum exposure to credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for market conditions.

	Amount at 31	Default risk judged	Bad debt
	March 2016	as at 31 March 2016	provision for
	£000	%	2015/16
Sundry Debtors	7,668	32.6	2,500
Housing Arrears	930	66.5	618
Total	8,598		3,118

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small. With regard to sundry debtors, housing and taxation debtors, a risk arises by virtue of the fact that they represent amounts owed to the Council and there will always be a level of default inherent in such debts. A provision for non payment of debts is provided within the overall debtors figure stated in the accounts.

Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31 March 2016 was as follows:

		31 March 2016 £000	% of total debt portfolio
Short Term Borrowing	Less than 1 Year	0	0
Long Term Borrowing	Over 1 but not over 2	0	0.00
	Over 2 but not over 5	0	0.00
	Over 5 but not over 10	31,800	17.15
	Over 10 but not over 15	0	0.00
	Over 15 but not over 20	0	0.00
	Over 20 but not over 25	120,000	64.70
	Over 25 but not over 30	33,656	18.15
Long Term Borrowing		185,456	100.00

Market Risk

Interest Rate Risk - The Council is exposed to risks arising from movements in interest rates. The Treasury Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. At 31 March 2016, 83% of the debt portfolio was held in fixed rate instruments and 17% in variable rate instruments.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowing	318
Increase in interest receivable on variable rate investments	(151)
Impact on Surplus or Deficit on the Provision of Services	167
Share of overall impact debited/(credited) to HRA	167

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Fair Value disclosure note.

Price risk - The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price variations.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

35. CAPITAL COMMITMENTS

The Housebuilding programme commenced during 2014/15 and is split into a number of phases. Phase one in Waltham Abbey commenced in October 2014 and was expected to be completed during 2015/16. However significant delays occurred during 2015/16 and at 31 March 2016 of the original contract value of £3.245 million, £1.165 million worth of works was still to be completed. During June 2016 the contract was terminated as the contractor had failed to fulfil the terms of the contract. A new contractor is in the process of being appointed.

Phase 2 commenced in March 2016 with a contract value of £9.765 million. As at 31 March 2016 only £82,000 worth of work had been completed.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

	Note	2015/16 £000	2014/15 £000
INCOME			
Dwelling Rents (Gross)	3	(32,150)	(31,585)
Non Dwelling Rents		(856)	(835)
Charges for Services and Facilities		(1,831)	(1,661)
Leaseholder Contributions		(414)	(179)
Revaluation of Fixed Assets	1	(9,184)	(16,531)
TOTAL INCOME		(44,435)	(50,791)
EXPENDITURE			
Repairs and maintenance	4	6,451	6,350
Supervision and Management		7,265	7,193
Rents, Rates, Taxes and Insurance		363	482
Revenue Expenditure funded from Capital under Statute		414	179
Depreciation & Amortisation	8/9	13,498	12,943
Debt Management		68	60
Provision for Bad / Doubtful Debts		75	62
TOTAL EXPENDITURE		28,134	27,269
NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT		(16,301)	(23,522)
HRA services share of Corporate & Democratic Core		583	572
HRA share of other services		45	53
NET COST (INCOME) OF HRA SERVICES		(15,673)	(22,897)
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(15,673)	(22,897)
Capital Grants and Contributions		(1,857)	(611)
Gain on sale of HRA non-current assets		(1,460)	(1,768)
Interest Payable and Similar Charges		5,573	5,558
Interest and Investment Income		(628)	(521)
Valuation increase Rent to Mortgages		(425)	(82)
Pensions Interest/Return on Assets		695	785
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES		(13,775)	(19,536)

MOVEMENT ON HOUSING REVENUE ACCOUNT STATEMENT

The Housing Revenue Income and Expenditure Statement shows the Council's actual financial performance for the year in managing its housing stock, measured in terms of the resources consumed and generated over the last twelve months. However,

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than from council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned.

The Housing Revenue Account Statement compares the Council's spending against the Income that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for the future.

This reconciliation statement summarises the differences between the outturn in the Housing Revenue Income and Expenditure Statement and the Housing Revenue Account balance.

	Note	2015/16 £000	2014/15 £000
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(13,775)	(19,536)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	10	10,622	17,949
Transfers to Earmarked Reserves	10	2,521	1,983
(Increase) or decrease in the Housing Revenue Account balance		(632)	396
Housing Revenue Account surplus brought forward		(2,570)	(2,966)
Housing Revenue Account surplus carried forward		(3,202)	(2,570)

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

The valuation of the Council's housing stock and other HRA assets is as follows:

	OPERATIONAL ASSETS						NON- OPERATIONAL ASSETS	Total £000
	Land £000	Dwellings £000	Garages £000	Vehicles & Equipment £000	Other Land & Buildings £000	Other £000	Investment Properties £000	
Gross Book Value								
1 April 2015	180,650	328,511	4,431	3,265	1,459	5,641	143	524,100
Restated	(15)	(28)	-	-	-	-	-	(43)
Additions		10,132	50	22	-	3,607	-	13,811
Disposals	(628)	(1,129)	(25)	(35)	-	(31)	-	(1,848)
Reclassified in Year	580	1,291	(102)	-	-	(1,889)	-	(120)
Revaluations Credited to the CIES	3,212	5,987	(15)	-	-	-	-	9,184
Revaluation Credited to the Revaluation reserve	34,841	63,683	837	-	-	94	-	99,455
Accumulated Depreciation Written Off	-	(12,965)	(183)	-	-	-	-	(13,148)
Gross Book Value	218,640	395,482	4,993	3,252	1,459	7,422	143	631,391
1 April 2015	-	1	-	(1,835)	(25)	(532)	-	(2,391)
Restated Accumulated Depreciation Written Off	-	12,965	183	-	-	-	-	13,148
Reclassified	-	-	7	-	-	-	-	7
Depreciation in Year	-	(13,009)	(192)	(251)	(13)	(69)	-	(13,534)
Depreciation on Assets Sold	-	43	2	24	-	-	-	69
Depreciation								
31 March 2016	-	-	-	(2,062)	(38)	(601)	-	(2,701)
Net Book Value								
31 March 2016	218,640	395,482	4,993	1,190	1,421	6,821	143	628,690
Net Book Value								
1 April 2015	180,650	328,511	4,431	1,203	1,421	5,040	143	521,399

The dwelling valuation shown in the balance sheet represents the value of the housing stock to the Council in its existing use as social housing occupied on the basis of secured tenancies. The corresponding value of those dwellings if sold on the open market without tenants, i.e. vacant possession is £1,293,660,500, based on stock figures from 31 March 2016 and values as at 1 April 2015. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

The Council was responsible for managing on average 6432 (6,459 in 2014/15) dwellings during 2015/16. Changes in the stock are summarised below. The figures include 48 units for the homeless at Norway House, North Weald, and 6 wardens' and caretakers' dwellings.

	2015/16	2014/15
Stock as at 1 April	6,435	6,483
Less		
Sales	(20)	(46)
Stock Transfers / Conversions	14	(3)
Other Movements	(1)	-
Add		
New Properties	-	1
Stock as at 31 March	6,428	6,435
Number of:		
Houses and Bungalows	3,455	3,467
Flats and Maisonettes	2,963	2,958
Other	10	10
	6,428	6,435

3. GROSS DWELLING RENT INCOME

During 2015/16 0.71% (0.95% in 2014/15) of all lettable dwellings were vacant. Average rents were £97.54 per week, an increase of £1.88 or 2.2% over the previous year. 48% (50% in 2014/15) of all Council tenants received some help through rent rebates in 2015/16. Rent arrears decreased to £929,681 (£1,015,801 in 2014/15), which represents 2.87% (3.2% in 2014/15) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £617,907 (£594,075 in 2014/15). Amounts written off during the year totalled £51,751 (£89,855 in 2014/15). Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

The Council maintains a Housing Repairs Fund that evens out the annual cost to tenants of a cyclical repairs programme. The movement on the Fund is as follows:

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		(1,491)		(2,755)
Contribution from the HRA	(5,855)		(5,000)	
Other Income	(114)		(86)	
Total Income		(5,969)		(5,086)
Responsive & Void Repairs	3,887		4,061	
Planned Maintenance	2,476		2,185	
Other	88		104	
Total Expenditure		6,451		6,350
Balance as at 31 March		(1,010)		(1,491)

The amount shown on the face of the Housing Revenue Income and Expenditure Statement is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the adjustments between accounting basis and funding basis under regulations (Note 6 page 18).

5. PENSIONS

The Council 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 made against the HRA is based on the contributions payable to the fund in respect of 2015/16; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £3,281,772 in respect of HRA capital receipts during 2015/16. This arose as a result of the sale of council houses (£3,160,520), compensation (£75,297), sale of Land (£17,500), repayment of discounts (£14,797), sale of vehicles (£10,425) and principal repayments on mortgages (£3,233). Of this the Council used £790,560 for the housebuilding project and £26,000 for the administration of the sales which left £2,465,212 to fund other capital projects and pay the central government pool an amount of £856,255.

7. CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure.

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	9,413	Revenue	4,344
House Building and developments	3,384	Major Repairs Reserve	6,478
Disabled Adaptations	462	Capital Receipts	1,239
Plant, Vehicles and Equipment	22	Other Contributions	1,750
Environmental Works	530		
	13,811		13,811

8. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve. This was originally funded from the Government via Housing Subsidy but is now funded from the HRA directly. The Housing Revenue Account is charged with the depreciation for the year the opposite entry of which is a credit to the Major Repairs Reserve. This income can then be used to fund repairs of a capital nature. For a transitional period of five years the Council is allowed to transfer back to the HRA a notional sum calculated by the Government in lieu of the Major Repairs Allowance received. The movement on the reserve is as follows:

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		(11,154)		(11,359)
Depreciation transferred from the HRA		(13,486)		(12,932)
Used to fund Capital Expenditure on Council Dwellings	6,478		7,526	
Transferred to the HRA	5,871		5,611	
Total Expenditure		12,349		13,137
Balance as at 31 March		(12,291)		(11,154)

9. DEPRECIATION

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to balance sheet values and the average life remaining on the housing stock and its major components. No depreciation is chargeable on the HRA investment assets. The difference between the figure shown on the face of the HRA and note 8 above relates to £12,000 amortisation of intangible assets.

10. NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON HRA BALANCE

	2015/16 £000	2014/15 £000
AMOUNTS TO BE EXCLUDED		
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	(5,925)	(5,645)
Upward revaluation of Council Dwellings and Garages	9,184	16,531
Revenue expenditure funded from Capital under statute	(414)	(179)
Reversal of Notional Lease payment	25	-
Valuation changes Rents to Mortgages	425	82
Gain/(loss) on disposal of HRA fixed assets	1,460	1,768
Flexi / Leave Accruals	9	(22)
HRA share of contributions to/ (from) pensions reserve	(2,086)	(1,920)
	2,678	10,615
AMOUNTS TO BE INCLUDED		
Leaseholder Contributions	414	179
Employers contributions payable to the pension fund	1,329	1,344
Capital Expenditure funded by the HRA	4,344	5,200
Capital Contributions Applied	1,857	611
	7,944	7,334
Net Increase or (Decrease) before Transfers to/from Reserves	10,622	17,949
TRANSFERS (TO)\FROM EARMARKED RESERVES		
Housing Repairs Fund	(480)	(1,264)
Self Financing Reserve	3,180	3,180
Service Enhancement Fund	(179)	67
	2,521	1,983
	13,143	19,932

11. TRANSFER TO SELF FINANCING RESERVE/SERVICE ENHANCEMENT FUND

There are two HRA earmarked reserves that have been set up. A Self Financing Reserve was set up with the purpose of receiving a transfer of £3.18m per annum to accumulate enough funds to repay the £31.8m variable loan. Whilst this is the stated purpose of the fund the decision does not preclude the use of these funds for another HRA purpose. The balance on the Reserve as at 31 March 2016 was £9.54m. The balance on the service enhancement reserve has been returned to the Housing Revenue Account.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

		Council Tax	Non Domestic Rates	Collection Fund Total	Council Tax	Non Domestic Rates	Collection Fund Total
INCOME	Note	2015/16 £000	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000	2014/15 £000
Council Tax	1	(79,403)		(79,403)	(77,659)	-	(77,659)
Non Domestic Rates	2		(35,465)	(35,465)	-	(34,476)	(34,476)
TOTAL INCOME		(79,403)	(35,465)	(114,868)	(77,659)	(34,476)	(112,135)
EXPENDITURE							
Precepts and Demands:							
Essex County Council		55,637	3,115	58,752	55,076	3,039	58,115
Essex Police		7,534		7,534	7,312		7,312
Essex Fire Authority		3,400	346	3,746	3,366	338	3,704
Epping Forest District Council		10,776	13,846	24,622	10,617	13,507	24,124
Distribution of Estimated Collection Fund Surplus/(Deficit).							
	3						
Essex County Council		1,095	(57)	1,038	225	(129)	96
Essex Police		145		145	29	-	29
Essex Fire Authority		67	(6)	61	14	(14)	-
Epping Forest District Council		211	(253)	(42)	43	(572)	(529)
Non Domestic Rate							
Payment to Central Government			17,306	17,306	-	16,883	16,883
Repayment of Deficit			(316)	(316)		(715)	(715)
Transitional Protection			322	322	-	8	8
Cost of Collection Allowance			171	171	-	173	173
Provision for Appeals			1,138	1,138		1,931	1,931
Provision for Non Payment		(102)	1	(101)	(877)	(173)	(1,050)
Write Offs		464	319	783	669	262	931
TOTAL EXPENDITURE		79,227	35,932	115,159	76,474	34,538	111,012
DEFICIT / (SURPLUS) FOR YEAR		(176)	467	291	(1,185)	62	(1,123)
BALANCE BROUGHT FORWARD		(2,040)	1,047	(993)	(855)	985	130
BALANCE CARRIED FORWARD		(2,216)	1,514	(702)	(2,040)	1,047	(993)

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: 51,196 for 2015/16, 50,679 for 2014/15). The basic amount of Council Tax for a Band D property (£1,449.09 for 2015/16, £1,446.21 for 2014/15) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	2	2	5/9	1
Band A	1,655	1,436	2/3	957
Band B	4,792	3,979	7/9	3,095
Band C	11,204	10,029	8/9	8,915
Band D	13,597	12,590	1	12,590
Band E	9,338	8,747	1 2/9	10,691
Band F	6,617	6,281	1 4/9	9,073
Band G	5,750	5,516	1 2/3	9,193
Band H	1,114	1,076	2	2,152
Total Band D				56,667
Less Band D equivalents entitled to Council Tax Support				4,690
Total Band D equivalents				51,977
Less Adjustment for Collection Rate				781
Council Tax Base				51,196

The income of £79,403,095 for 2015/16 (£77,658,884 for 2014/15) is receivable from the following sources.

	2015/16 £000	2014/15 £000
Billed to Council tax payers	79,461	77,758
Council Tax Benefits paid/(clawed back)	(58)	(99)
	79,403	77,659

2. NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48.0p (small business) and 49.3p (others) in 2015/16, (47.1p (small business) 48.2p (others) in 2014/15) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

In 2013/14 the method of distributing and accounting for Business Rates changed. Prior to 1 April 2013 Non Domestic Rates were collected by the Council and paid over to central Government who then redistributed the sums collected in the form of Non Domestic rates grant.

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2015/16 this Council paid a tariff of £10,230,000 (£10,038,000 in 2014/15).

If the Council increases its business rates base and therefore income it is allowed to retain a proportion of this increased income whilst paying up to 50% to Central Government. This payment is known as a levy payment.

If a reduction of business rates income of more than 7.5% of its funding baseline has occurred then the government will make up any difference between this and the actual loss in the form of a safety net payment.

From 1st April 2015 the Council joined the Essex Business Rates Pool. A pool is set up in order to minimise the potential levy on business rate growth that an individual authority might need to pay Central Government. A number of Authorities that are paying a tariff to the Government join a pool with an authority receiving a top up. In the case of the Essex Pool the County Council are receiving a top up and the districts are paying a tariff and by pooling their business rates can significantly reduce their levy rates from the 50% they would face if on their own.

The total non-domestic rateable value at the year-end was £86,608,906 (£86,715,049 in 2014/15).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus or deficit on the Collection Fund arising from council tax and business rates transactions relates to this Council, other Major Precepting Authorities and Central Government. The surplus or deficit on the fund is estimated as at 15 January every year and paid over or recovered from the Council's General fund and major precepting authorities in the following Financial year. The balance on the Fund represents the difference between the estimated surplus or deficit and the actual position.

Annual Governance Statement

1 Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Council's Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2015, in relation to the publication of a Statement on Internal Control.

2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following core principles.

- (i) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- (iii) Promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and management of risk.
- (v) Developing the capacity and capability of Members and officers to be effective.
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31st March 2016 and up to the date of approval of this Statement and the Statement of Accounts.

No.	The Governance Framework
	The key elements of the Council's governance arrangements for 2015/16 were:
1	A Corporate Plan covering 2015-2020, setting out the Council's priorities and defining the goals to be achieved.
2	The Constitution, which is revised each year:
	2.1 Sets out the Council's decision-making framework.
	2.2 Gives a clear definition of the roles and responsibilities of Members, Committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer);
	2.3 Includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and
	2.4 Defines codes of conduct for Members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee.
6	An Audit and Governance Committee.
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors.
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer and The Chief Internal Auditor, meeting monthly.
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly.
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations.
11	A Medium Term Financial Strategy which informs service planning and budget setting.
12	A compliments and complaints procedure.
13	A risk-based approach to internal audit, emphasising the need for sound control and good value.
14	A robust whistle blowing policy and process along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti money laundering policies.

3 Review of effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the council's governance framework:

- Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively. For the first time, these were completed by the Directors in conjunction with their Assistant Directors;
- Documentary evidence of processes, procedures and standards:
- Creation of a Corporate Fraud Team from 1 April 2015, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.
- The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of full, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems;
- The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;
- Significant governance issues from previous years and from 2015/16.

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, who monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table one below.

Table One: Progress on significant governance issues identified in the 2014/15 AGS

No.	Significant issue identified in 14/15 AGS	Action taken in 15/16 to address the issue
1	<p>Car Parking Income</p> <p>In 2013/14 it was reported in the Annual Governance Statement that as part of an internal audit review of the contracted service it was identified that there were limitations in the information supplied by North Essex Parking Partnership (NEPP) which affected the monitoring and reconciliation of the income. During 2014/15 this problem was resolved but following the contracting out of cash collection by NEPP a similar problem was identified in the information provided by the cash collection contractor.</p>	<p>This issue was addressed by management and by the internal audit sections of the Councils which are members of the NEPP following a meeting with the cash collection contractor. The introduction of new ticket machines in 2015/16 has greatly improved the monitoring of the pay and display income received.</p>
2	<p>Housing rent reconciliations</p> <p>A limited Assurance audit report was issued for Housing Rent Collection and Arrears, due to the Rental Income reconciliation and Council Stock reconciliation had not been completed for 2013/14.</p>	<p>Staff from both the Communities and Resources Directorates have worked together to resolve the issue; the Council Stock reconciliation had been completed by the time the final report was issued, and the Rental Income reconciliations are carried out on a monthly basis.</p>
3	<p>Contract Standing Orders</p> <p>A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders.</p>	<p>A Contract Standing Orders Working Party, chaired by the Director of Communities, was set up to undertake a fundamental review of the Council's Contract Standing Orders.</p> <p>New Contract Standing Orders (known as Procurement Rules) were approved by Council on 28 April 2016. These are being widely communicated across the Council, supplemented with training sessions, to help ensure compliance.</p>
4	<p>Sundry Debtors</p> <p>Internal audit reviews in 2014/15 also identified weaknesses in debt recovery processes, especially for debts below £500.</p>	<p>The Corporate Debt Working Group, chaired by the Assistant Director Revenues, has overseen the implementation of recommendations made to the Management Board in February 2015.</p>

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

Table Two: Areas for improvement or monitoring during 2016/17

No.	Issue	Management response
1	<p>Procurement Rules</p> <p>A common theme coming out of 2014/15 internal audit reviews was non compliance with Contract Standing Orders as these had developed over time and were difficult to follow. On 26 April 2016 Council approved the new Procurement Rules ,which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and more responsive to the current and future procurement needs of the Council.</p>	<p>Staff are currently being trained on the Council's new Procurement Rules and mechanisms are being developed to ensure compliance with these.</p>
2	<p>Corporate Policies</p> <p>A need to raise awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of the 2015/16 Service Assurance Statements.</p>	<p>A review of the Council's anti-fraud and corruption framework will be spearheaded by the Corporate Fraud Team this year and will include a review of the Council's Whistleblowing Policy and Officer Code of Conduct; the results of which will be promulgated to staff.</p>
3	<p>Project Management</p> <p>Service Assurance Statements also identified a need to develop project management processes and provide training in this area.</p>	<p>A Project and Programme Management project team has been set up, sponsored by the Chief Executive, and is meeting regularly to address this issue.</p>

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

Signed
 Glen Chipp
 Chief Executive

Signed
 Councillor Chris Whitbread
 Leader of the Council

Members Allowances

The allowances of £318,940 listed below include the connect scheme, travel and subsistence and employers national insurance and pension costs. The figures also include allowances paid to lay members of the Audit & Governance Committee and the Standards Committee.

	£		£
R.H.MORGAN	7,749	S.JONES	5,762
D.J.STALLAN	10,377	R.KELLY	250
A.G.GRIGG	9,919	P.KESKA	3,730
S.W.MURRAY	5,550	A.MITCHELL	3,400
J.M.WHITEHOUSE	3,400	G.WALLER	9,919
M.A.MCEWEN	5,365	H.BRADY	3,534
J.KNAPMAN	5,200	G.CHAMBERS	4,169
C.L.WHITBREAD	18,881	A.J.CHURCH	5,550
J.H.WHITEHOUSE	3,537	L.GIRLING	3,433
U.M.GADSBY	3,478	H.KANE	9,919
P.GODE	378	H.MANN	3,400
M.SARTIN	5,908	G.SHEILL	3,400
J.M.HART	5,762	T.THOMAS	3,794
J.LEA	6,976	N.WRIGHT	3,400
C.P.POND	3,665	K.M.ADAMS	378
B.P.SANDLER	5,762	R.GLOZIER	378
S.A.STAVROU	10,849	D.COOPER	250
K.ANGOLD-STEPHENS	4,319	R.BUTLER	3,400
K.S.CHANA	3,400	A.JARVIS	500
G.MOHINDRA	5,200	C.C.POND	3,400
L.A.WAGLAND	3,400	R.JENNINGS	3,592
B.A.ROLFE	4,500	L.MEAD	3,400
R.BASSETT	10,719	C.ROBERTS	3,400
A.WATTS	617	D.DORRELL	3,400
H.ULKUN	378	S.NEVILLE	3,400
E.A.WEBSTER	11,077	B.SURTEES	3,400
A.L.BOYCE	5,350	H.KAUFFMAN	3,400
J.PHILIP	9,919	E.WESTON	3,400
D.J.WIXLEY	3,622	S.KANE	2,860
S.A.LYE	250	A.PATEL	2,860
D.JACKMAN	250	L.HUGHES	2,895
A.LION	9,919	N.AVEY	2,860
W.S.BREARE-HALL	9,919	N.BEDFORD	2,860
Y.R.KNIGHT	5,762	N.NANAYAKKARA	490
S.I.WATSON	3,400		
Total	204,757	Total	114,183
		Grand Total	318,940

For the purposes of this Statement of Accounts, the following definitions have been adopted:

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

BALANCE SHEET

This statement sets out an authority's financial position at the year-end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing asset.

CAPITAL ADJUSTMENT ACCOUNT

This account records the accumulated amount of set aside receipts and minimum revenue provision together with capital expenditure financed by way of capital receipts and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year.

CAPITAL FINANCING REQUIREMENT

This measures the change in and the underlying need for the council to borrow to finance Capital expenditure. Where all capital expenditure is financed by resources generated by the council the Capital Financing Requirement will remain unchanged.

CASH FLOW STATEMENT

This statement summarises the cash flows of the authority for capital and revenue spending as well as the cash flows used to finance these activities.

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to other authorities (preceptors) and the general fund.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENCY

A condition that exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTINGENT LIABILITIES

A contingent liability is either:

(i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or

(ii) a current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

CONTINGENT GAINS

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose nominated bodies managing the same services.

INTANGIBLE ASSETS

Expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council.

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE

Expenditure of a capital nature that does not result in a fixed asset being created. An example of such an item would be expenditure on a former HRA property held on a long lease by a third party. The expenditure is written off in the year that it is incurred.

DEPRECIATION

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes. The useful life is the period over which the local authority will derive benefit from the use of a fixed asset.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXTRAORDINARY ITEMS

Material items that derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

PROPERTY, PLANT AND EQUIPMENT

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

GENERAL FUND

This statement records the information of all the authority's activities, excluding those in relation to the Housing Revenue Account and Local Council precepts.

GOING CONCERN

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure such as maintenance, administration, rent rebates and capital financing costs, and how these are met by rents subsidy and other income.

IMPAIRMENT

An impairment occurs when a fixed asset suffers a loss in value either due to a fall in market values generally, or as a result of use of the asset other than normal wear and tear.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments that do not meet the above criteria should be classified as current assets.

INVESTMENT PROPERTIES

An interest in land and / or buildings:

- (i) in respect of which construction work and development have been completed; and
- (ii) which is held for its investment potential, any rental income being negotiated at arms length.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

MINIMUM REVENUE PROVISION (MRP)

Local authorities are required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculation is defined by statute and does not relate to actual external debt outstanding. Statute requires MRP of 2% of the housing credit ceiling and 4% of the non-housing credit ceiling, offset by an adjustment for debts commuted in relation to old improvement grants.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets that are surplus to requirements pending sale or redevelopment and assets under development or construction.

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets comprise Council dwellings, other land and buildings, vehicles plant and equipment, infrastructure and community assets.

POST BALANCE SHEET EVENTS

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISIONS

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- (i) the local authority has a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (iii) a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

A constructive obligation is an obligation that derives from an authority's actions where;

- (i) by an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- (ii) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

PRUDENCE

The concept that revenue is not anticipated until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable certainty.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the Council Tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture partners;
- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:

- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- (i) the purchase, sale, lease, rental or hire of assets between related parties;
- (ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services;
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority but also in relation to its related party.

REVALUATION RESERVE

This account was created on 31 March 2007. The purpose of which is to hold all revaluations occurring to fixed assets subsequent to that date.

STOCKS

Comprise the following categories:

- (i) Goods or other assets purchased for resale;
- (ii) consumable stores;
- (iii) raw materials and components purchased for incorporation into products for sale;
- (iv) products and services in intermediate stages of completion;
- (v) long-term contract balances; and
- (vi) finished goods.

UNAPPORTIONABLE CENTRAL OVERHEADS

These are overheads for which no user now benefits and should not be apportioned to services.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or

(ii) the actuarial assumptions have changed

CURRENT SERVICE COST

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(i) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and

(ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DISCRETIONARY BENEFITS

Retirement benefits that the employer has no legal, contractual or constructive obligations to award and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) regulations 1996.

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority, and which are not expected to recur. They do not include exceptional items nor do they include prior year items merely because they relate to a prior period.

IAS19

International Accounting Standard 19 (IAS19) ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of the fund. However authorities (other than town and community councils) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and

(ii) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

(i) an employer's decision to terminate an employee's employment before the normal retirement date, or

(ii) an employee's decision to accept redundancy in exchange for those benefits,

because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

(i) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits

(ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and

(iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

(i) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;

(ii) for deferred pensioners, their preserved benefits, and

(iii) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.

Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-009-2016/17
Date of meeting: 19 September 2016

Portfolio: Governance and Development Management

Subject: Internal Audit Monitoring Report - June to September 2016

Responsible Officer: Sarah Marsh (01992 564446).

Democratic Services: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee reviews the outcomes of the work of the Internal Audit service and the Corporate Fraud Team and identifies any issues for further consideration.

Executive Summary:

This report provides a summary of the work undertaken by Internal Audit between June and September 2016, progress against the 2016/17 Internal Audit plan and a summary of the work undertaken by the Corporate Fraud Team.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

2016/17 Internal Audit Plan

1. Work on the 2016/17 Audit Plan is underway as detailed in Appendix 1, although time has been spent finalising reports from the 2015/16 Audit Plan. Internal Audit staff have started to work across all three Councils in the partnership, thereby sharing best practice and expertise, and increasing the resilience of the team.

Internal Audit reports

2. The following three reports have been issued since the Committee received its last update in June 2016:

Substantial assurance:

- **Langston Road Development**– Overall, the Langston Road Development project is being well managed. There are appropriate arrangements in place to provide oversight and challenge over the project, and progress is regularly reported to Members. There are

robust project management processes including the management of risks and of the project timetable. As significant costs will start to be incurred, the financial processes should be formalised to ensure costs are properly recorded, monitored and reported.

- **Conflicts of Interest and Gifts and Hospitality** – There is a robust process in place to ensure all new Members complete a register of interests form and these are updated whenever there is a change in circumstances. Gifts and hospitality are recorded and authorised in accordance with Council policy both for staff and Members. Declarations of interests (pecuniary and personal) are completed by all new employees and are updated annually through the Performance Development Review (PDR) process. Where there are changes, managers should ensure that employees complete a new declaration of interests form and submit it to Human Resources. The form should be revised to include a section for managers to record the action taken in respect of any conflicts declared.

Limited Assurance:

- **Health and Safety at Townmead Depot** – An audit of health and safety at the depot identified there are a number of significant issues that could compromise the health and safety of staff and visitors at the Depot. Management is aware of the significant risks identified during the audit and appropriate action is currently being undertaken. Internal Audit will monitor progress against the action and carry out a further audit of the depot later in the financial year.

Recommendation Tracker

3. Members are reminded that the new audit recommendation priority ratings approved in March 2016 are being used for all reports from 2016/17. The new priority ratings are set out in the table below:

Recommendation priority ratings from 2016/17	Recommendation priority ratings pre 2016/17
High	1
Medium	2
Low	3

4. The Audit and Governance Committee will continue to receive details of all overdue recommendations, plus any high priority recommendations from final reports regardless of whether they are overdue or not.

5. The current tracker (Appendix 2) contains five priority 2 recommendations and two priority 3 recommendations which have passed their due dates. Regular monitoring of these recommendations demonstrates that, although they have not been completed by the original implementation dates, progress continues to be made on all of these. The high priority recommendation (which is not overdue) relates to the development and implementation of an action plan to address health and safety issues identified at Townmead Depot.

Recommendation type	Number (as at September 2016)
High (Priority 1) not passed its due date	1
High (Priority 1) passed its due date	0
Medium (Priority 2) passed its due date	5
Low (Priority 3) passed its due date	2

Other Internal Audit Activities

6. Internal Audit is represented on a number of business groups and project teams in order to provide advice and guidance. Project teams include:

- Project and Programme Management – to assist in ensuring that project management processes are developed to ensure consistent methodology is applied across the Authority
- Electronic invoicing – to provide guidance on controls around the implementation of electronic invoicing and the impact on the purchase ordering and accounting systems.
- Customer Self Service Kiosks – to advise on controls in relation to cash receipting and income control processes.
- Information Management – to advise and assist with the implementation of a Council-wide Information Asset Register and to advise on policies and procedures relating to information management.

Corporate Fraud Team

7. Since the last update, a further three Right to Buy applications have been stopped or withdrawn following Corporate Fraud Team intervention. The total discount saved as a result of this is approximately £233,700 and the value of retained rent revenue streams is around £137,000. In addition, another property has been recovered as a result of fraud, resulting in a saving of approximately £18,000.

8. The Corporate Fraud Team is currently engaged in a number of criminal investigations including an active money laundering investigation linked to a Right to Buy application.

9. Our accredited Financial Investigator is now fully trained and able to undertake financial confiscation and cash seizure work.

10. Through the Internal Audit shared service, the team has provided two sessions of anti-fraud training to Harlow Council. These were well received and attracted positive feedback.

11. In July, a Waltham Abbey resident was convicted of Local Council Tax Support fraud following an investigation by the Corporate Fraud Team.

12. The Corporate Fraud Team is continuing to advise many other local authorities on Right to Buy fraud and participated (at the request of the BBC) in a Radio 4 “File on 4” documentary on Right to Buy fraud.

13. A successful recruitment exercise has been undertaken and a new, fully qualified and experienced investigator is due to start on 5 September.

Resource Implications:

Within the report.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

2016/17 Audit and Resource Plan.

Risk Management:

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date/Name	Summary of equality analysis
19/09/16 Chief Internal Auditor	The report is a summary of the work carried out by Internal Audit and has no equality implications.

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Appendix 1 - Audit Plan Monitoring 2016-17
September 2016

	Directorate	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
Quarter 1										
Conflicts of interest	Governance	10	Final Report	n	n	n	Satisfactory	0	2	0
Depot Health & Safety	Neighbourhoods	12	Final Report	n	n	n	Limited	1	1	0
Car Parking (c/f from 15/16)	Neighbourhoods	10	In Progress	n						
Corporate Procurement (c/f from 15/16)	Resources	15	In Progress	n						
Cash and Banking	Resources	12	In Progress	n						
PIs - sickness absence (new audit)	Resources	6	In Progress	n						
Housing Health & Safety	Communities	12	In Progress	n						
E-invoices	Resources	6	In Progress	n						
Waste Management	Neighbourhoods	10	In Progress	n						
Quarter 2										
Treasury Management	Resources	10	In Progress	n						
IT Disaster recovery	Resources	10	Scoping							
Grants to Voluntary Organisations	Communities	8	Scoping							
Voids	Communities	10	Scoping							
Data Retention and Disposals	Corporate	15								
Project - Transformation	Corporate	6								
Asset Management Strategy	Neighbourhoods	10								
Performance Management - Neighbourhoods	Neighbourhoods	12								
Enforcement	Neighbourhoods	10								
Recruitment and Selection	Resources	10								
Quarter 3										
Energy Management vfm	Corporate	10								
Joint Working - Community Safety	Neighbourhoods	10								
Project - Langston Road	Neighbourhoods	10								
Project - New Homes	Communities	12								
Safeguarding	Communities	12								

Business Rates follow up	Key Financial Control	5										
Council Tax follow up	Key Financial Control	5										
Electoral Registration	Governance	10										
Planning Application Processes	Governance	8										
Equality and Diversity	Governance	12										
Quarter 4												
IT Helpdesk	Resources	8										
Contract Management	Corporate	15										
Payroll	Key Financial Control	12										
Housing Rents	Communities	10										
Mutual Exchanges	Communities	8										
Antisocial Behaviour	Neighbourhoods	12										
Key										1	3	0

c/f = carried forward
TofR = Terms of Reference

EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 07 September 2016

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
Audit Recommendations 2015/16									
Page 171	1.1	The income reconciliations between the Local Land Charges system (M3) and the General Ledger should be brought up to date and performed quarterly thereafter to ensure that any differences are identified and resolved promptly.	2	The Local Land Charges income will be reconciled on a quarterly basis. A spreadsheet detailing the income received by cheque and BACS will be provided by Accountancy in order to achieve this.	Local Land Charges Manager Assistant Director (Accountancy) Director of Governance	01/04/16	01/07/16 01/09/16 01/10/16	Apr 16: Local Land Charges are in the process of completing the LLC income reconciliations for Q's 3 & 4 for 2015-16. Q's 1 & 2 2015/16 are done but need finalising. June 16: The reconciliations for Quarters 1-4 2015/2016 have been completed but there are still outstanding anomalies that need to be investigated before they can be signed off by the Local Land Charges Manager. July 16: As above there are still outstanding anomalies for Quarters 1-4 2015/2016. Quarter 1 2016/17 reconciliation will be carried out this month. Aug 16: Work is still on-going to complete the reconciliations.	Overdue
	1.2	The reconciliations should be independently reviewed by the Local Land Charges Manager	2	The income reconciliations will be independently reviewed by the Local Land Charges Manager	Local Land Charges Manager Director of Governance	01/04/16	01/07/16 01/09/16 01/10/16	Apr 16: As above June 16: As above July 16: As above Aug 16: As above	Overdue
	2	Policies and procedures should be reviewed and updated regularly	3	Whilst we do keep reviewing our procedures, I agree that where it has not been necessary to make any changes, there should be some evidence that they have been looked at and reviewed. This will be addressed in the future	Assistant Director (Development Management)	30/06/16	30/09/16	July 16: The review of policies and procedures has been started but has not yet been completed. Aug 16: The review is still ongoing	Overdue

EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 07 September 2016

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
<p>Licensing Report No. 765 February 2016</p> <p style="text-align: center; font-size: 2em; font-weight: bold;">Page 172</p>	1	A review of all policy, procedural and guidance documentation should be completed to ensure compliance with current Legislation.	3	The update of the fee structure in accordance with the Deregulation Act was undertaken following full consultation in October. The Hackney Carriage and Private Hire Licensing Policy is currently undergoing a full revision which has included a review by a Member/officer working party. Once this review has taken place the revised policy will be subject to a full consultation process prior to Council approval.	Assistant Director Neighbourhood Services	26/04/16	01/07/16 30/09/16 01/12/16	<p>Apr 16: The Member/Officer review is now complete. However the section has been advised to carry out the consultation after the appointment of the new Chairman of the Licensing Committee in June 2016.</p> <p>June 16: The Hackney Carriage and Private Hire Licensing Policy is currently undergoing a full revision and the revised policy will be subject to full consultation process. The process will entail consultation with all Public Hire licence holders (some 600+ people) all the Town and Parish Councils, all Members and a selected group of interested parties such as the Police and Essex County Council etc. The consultation period will be six weeks and we hope to start at the beginning of July.</p> <p>July 16: The consultation hasn't started yet but is due to start in the next couple of weeks.</p> <p>Aug 16: The consultation process has begun and closes on 30.09.2016. The policy will be revised following a review of the consultation process.</p>	Overdue
	2	Evidence should be retained that the monthly report of debts with Legal Services has been reviewed by the Area Housing Manager (South) to confirm that arrears are monitored regularly by	2	Agreed. E-mails will be retained to formally evidence that the month debt report has been reviewed.	Assistant Director Housing Operations	31/07/16	30/09/16	Sept 16: The Area Housing Manager (South) will confirm that the monthly reports of debts from Legal Services are evidenced as reviewed by the Debt Recovery Officer.	Overdue

EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 07 September 2016

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
		Housing Management and Legal Services.							
Sundry Debtors Audit Report No. 769 June 2016	2	The Sundry Income Team should re-enforce the Council's debt recovery process and ensure the directorates are following the procedure and recovering outstanding debts at the earliest opportunity.	2	Following the conclusions of the Corporate Debt Recovery Working Party, the Communities Directorate set up a cross-directorate project team (under the chairmanship of an Assistant Director) to consider the most cost effective approach to the recovery of its debts. As a result, the Communities Directorate has created a new post of Debt Recovery Officer, through a re-structure, to co- ordinate the recovery of Communities debts in a consistent and effective manner - which is currently subject to recruitment. Once appointed, in consultation with the Communities Support Manager and the Team Leader, the post- holder will follow consistent debt recovery procedures for the whole Directorate that comply with the corporately agreed procedures.	Communities Support Manager	31/08/16	31/10/16	Sept 16: The Debt Recovery Officer started in post on 23/08/16 and work on aligning the processes with corporate policies has commenced.	Overdue
Langston Road Development Report No. 772 July 2016	2	The three outstanding contracts with the consultants engaged on the Langston Road Development project	2	The external Solicitors will be re-instated to bring these to conclusion.	Director of Neighbourhoods	31/07/16	30/09/16	Aug 16: Two of the contracts have been received from the solicitors. It is understood that the remaining contract is in place but a copy will be requested to	Overdue

EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 07 September 2016

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Assistant Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
		should be followed up with the lawyers to ensure all contracts are put in place.						confirm this.	
Audit Recommendations 2016/17									
Health and Safety at Townmead Depot Report 05.16/17	2	2.1 An action plan to address H&S failings identified in this audit should be drawn up and implemented. 2.2 Regular reporting on progress being made with the action plan should be reported to Internal Audit and the Council's H&S Officer.	High	This is a cross directorate piece of work which will be coordinated and project managed by the Assistant Director (Technical Services) and will require the support of the Safety Officer and Facilities Management for repairs and maintenance.	Director of Neighbourhoods/ Assistant Director (Technical Services)	31/12/16	-	-	In Progress