



Epping Forest District Council
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STATEMENT OF ACCOUNTS
2014/15



STATUTORY STATEMENT OF ACCOUNTS 2014/15

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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

INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

The preparation of the annual accounts under the requirements of International Financial Reporting Standards (IFRS) is now well established and hopefully stakeholders are familiar with this format. The accounts are a complex document and readers have not been helped by the previous changes to content and presentation. Thankfully there have been no significant changes for this year and it is hoped that we may now see a reduction in the significance and number of changes. The process we are required to follow and the key financial statements are outlined below.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) publishes a Code of Practice on Local Authority Accounting (the Code) every year that local authorities are required to follow in producing their financial statements. In recent years the Accounting Standards Board and now the Financial Reporting Advisory Board have insisted that public sector financial statements move toward more closely resembling those prepared in the private sector and hence the switch to IFRS.

- Comprehensive Income and Expenditure Statement - this brings together all gains and losses during the year to report them in one statement.
- Movement in Reserves Statement - this shows the movements on all reserves in the bottom half of the Balance Sheet and reconciles the surplus or deficit on the Comprehensive Income and Expenditure Statement to the movement in the General Fund Balance.
- Balance Sheet - this is the statement of the Council's financial position at the end of the financial year.
- Cashflow Statement - this reports the movement on cash and cash equivalents in a summarised form.

The above are described as core financial statements as all local authorities are required to produce them. Both the Balance Sheet and the Cashflow Statement are long established documents that have not been radically amended over time by the successive accounting standards. The Balance Sheet lists what the Council owns, what is owed to the Council and what the Council owes to others. The Cashflow Statement summarises the movements in cash broken down into operating, investing and financing activities that have taken place during the year and their overall effect on the Council's holdings of cash and cash equivalents at the end of the year.

2014/15 was a year of consolidation, with the significant changes for several aspects of local authority finance introduced in 2013/14 becoming more established. The move from Council Tax Benefit to Local Council Tax Support and the introduction of local retention of Non-Domestic Rates were significant developments for residents and businesses as well as local authorities. The collection of Council Tax from those paying it for the first time went better than had been anticipated. This success was only possible due to the additional resources made available by the major preceptors. The use of dedicated resources on these challenging cases meant efforts on collecting the majority of non-benefit cases were not compromised. The better than expected collection rates have meant it has been possible to leave the scheme largely unchanged and the support available has not been reduced from the initial level of 80%.

Unfortunately the local retention of Non-Domestic Rates has not gone as smoothly as the transition to Local Council Tax Support. We have remained successful at collecting Non-Domestic Rates and 2014/15 again saw performance exceed the target set by Members. The outcomes that have been less positive arise from design flaws in the system that are beyond the Council's control. When the system started it was not with a clean slate as authorities were required to take on the liabilities for all of the outstanding appeals, instead of this problem remaining with central government.

There is nothing within the current system to discourage speculative appeals that have no justification from coming forward. This meant it was no surprise that the deadline of 31 March 2015 for raising appeals against the 2010 valuation list produced an avalanche of new appeals. Several hundred new appeals were received and amongst the many spurious cases there are some of potentially national significance. All of the more traditional supermarket chains have raised appeals on their store valuations, to reflect the lower trading levels since the arrival of their newer discounting rivals. There probably is not a single council in the country that does not have several supermarkets operated by the traditional operators and so any significant reduction in valuations will impact not only on individual councils but also on the overall system.

Even before the fresh torrent of appeals the Valuation Office Agency (VOA) had a huge backlog and has shown itself completely incapable of dealing with the additional pressures of the new system. This means we have a vast number of outstanding appeals with no realistic prospect of most of them being resolved any time soon and because of the uncertainty on the value of their ultimate settlement we have to make some provision against them. Given the number of new appeals and the short space of time between receiving notifications of the appeals from the VOA and having to prepare these accounts, a different methodology had to be applied in dealing with these appeals to those that we had known about for longer. The bottom line here is that it has been necessary to double the provision for these appeals from £1.5 million to £3 million. The Councils element of this provision represents 40% and has increased from 0.6 million to £1.3 million.

The other key design flaw in the system is that the General Fund and the Collection Fund account for items in different years. This means the loss on the Collection Fund that has resulted from the increased provision for appeals will not be reflected in lower income to the General Fund until 2015/16. This rather odd situation means it appears that we have more income in 2014/15 than planned but the reality is we have less, we just leave it a year before we account for it. This is why in the table below it appears that the income from Government Grants and Local Taxation is higher than had been estimated.

There was one major service change during 2014/15 that is worth mentioning. After a lengthy process of competitive dialogue there was a change in the Council's waste management contractor, with Biffa replacing Sita from November 2014. The handover was a success and the new contract ran smoothly through to the end of the financial year. However, during May 2015 Biffa introduced a new four day collection system which has been problematic. At the time of writing, the situation is improving but the long term solution to the collection system and the short term issue of funding the rectifications are still to be determined.

More generally across the authority in 2014/15 the service restructures were bedding in, with the Continuing Services Budget (CSB) showing a consequent combined reduction of over £300,000. Income from the Council's property portfolio and development control increased by over £400,000 but this was largely offset by a reduction of £310,000 in the income from the market at North Weald. It was another good year for New Homes Bonus with an additional £569,000 being added to the CSB.

In 2014/15 the Council's Balance Sheet value has increased by £18.5 million to £429.0 million. The improvement in the Balance Sheet total arises primarily from the increase in the value of the Council's properties of £39.4 million however this was offset by a reduction to Other Land and Buildings values of £14.9 million. There was also an increase in the Council's cash and investments went up by £9 million to £68.3 million.

The growth in the Council's Balance Sheet was reduced by an increase in Long Term Liabilities, particularly in respect of the pension fund. This has gone up significantly in the year from £57.8 million to £69.9 million. The assets of the scheme have increased in value by £13.4 million but the major change is on the liabilities which have increased by £25.5 million. The key to calculating the value of future costs is the discount rate and as this falls the size of the liability increases. The reduction in the discount rate from 4.4% to 3.2% reflects the falling 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 2015. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

The year-end position is worse than was anticipated when the revised estimates were set. A predicted General Fund deficit of £493,000 has ended up as a deficit of £591,000, although it should be remembered this is after a transfer of £500,000 to the new Invest to Save Reserve. The Housing Revenue Account has a deficit of £396,000, some £591,000 better than the revised estimate of a deficit of £987,000. The next section provides more detail on both the revenue and capital outturn for the year.

SUMMARY OF OUTTURN

The following tables provide a summary review of net expenditure and financing for 2014/15

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	13,784	14,324	14,574	790	250
Government Grants and Local Taxation	(13,541)	(13,831)	(13,983)	(442)	(152)
(Contribution to)/from Balances	243	493	591	348	98
Opening Balances - 1/04/2014	(9,884)	(9,884)	(9,884)	-	-
(Contribution to)/from Balances	243	493	591	348	98
Closing Balances - 31/3/15	(9,641)	(9,391)	(9,293)	348	98

Net expenditure for 2014/15 totalled £14.57 million, which was £790,000 (5.7%) above the original estimate agreed in February 2014 and £250,000 (1.7%) above the revised estimate compiled in December 2014. When compared to a gross expenditure budget of approximately £74 million, the variances can be restated as 1% and 0.3% respectively.

An analysis of the changes between Continuing Services Budget (on-going expenditure (CSB)) and District Development Fund (One-off Expenditure (DDF)) expenditure illustrates where the main variances in revenue expenditure have occurred.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	14,654	15,413	15,625	971	212
In Year Growth	379	752	692	313	(60)
In Year Savings	(1,249)	(1,841)	(1,743)	(494)	98
Total Continuing Services Budget	13,784	14,324	14,574	790	250
DDF - Expenditure	2,458	2,530	2,207	(251)	(323)
DDF - One Off Savings	(595)	(1,408)	(1,958)	(1,363)	(550)
Total DDF	1,863	1,122	249	(1,614)	(873)
Appropriations	(1,863)	(1,122)	(249)	1,614	873
Net Expenditure	13,784	14,324	14,574	790	250

Continuing Services Budget

CSB expenditure was £790,000 above the original estimate and £250,000 higher than the revised. The variances have arisen on both the opening CSB which was £212,000 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 £109,000. Actual salary spending for the Authority in total, including agency costs, was some £20.5 million compared against an original estimate of £20.6 million. Whilst the General Fund was underspent by around £103,000, the HRA was marginally overspent. The General Fund underspend was split between the Governance and Neighbourhoods directorates. Over time a number of posts have been deleted from the establishment and this has reduced the number of vacant posts. To reflect this change, the vacancy allowance in the budget was reduced from 2.5% to 1.5%. The outturn was 2%, hence the small underspend.

There were a number of other CSB budgets which were either overspent or failed to achieve their income target and the cumulative effect was a variance of £212,000 on the opening CSB. One of the largest movements on the opening figures was the increase in the provision for bad and doubtful debts, which included a one-off adjustment for the change in systems of Non-Domestic Rate accounting.

The main movement between the Original estimate and the Revised estimate and Actual position was the creation of the Invest to Save Reserve which has moved £500,000 from the General Fund Balance into an earmarked reserve set up to fund any initial costs required to achieve on-going CSB savings. The Reserve will operate in a similar way to the District Development Fund (DDF) in that there will be the ability to move budgetary provision between years as necessary. 2015/16 will be the first year of operation for this Reserve.

The original in-year CSB net saving figure of £870,000 increased at revised estimate to a net saving of £1,089,000. The main reasons for this being the saving on the new waste contract and additional income in Planning from development control and pre-application checking. This was offset to a degree by a further reduction in the income from the market at North Weald. The ongoing reductions in income from the market question the viability of this activity and an exercise will be conducted to look at alternative uses. The actual net savings were £38,000 below the revised figure at £1,051,000. This was primarily due to savings on the waste management contract falling £81,000 short of the estimate.

District Development Fund

Net DDF expenditure was £1,614,000 below the Original estimate and £873,000 below the Revised estimate. There are requests for carry forwards totalling £575,000 and therefore the variation actually equates to a £298,000 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 DDF reduced between the Original and Revised estimate by some £741,000. This was mainly due to new items identified during 2014/15, the main item being £326,000 for the recovery of housing benefit overpayments together with Council Tax benefit adjustments and grants. Other significant changes included additional income from Development Control (£120,000) and shops (£78,000) whilst there was slippage on the Local Plan (£91,000) and building maintenance (£46,000).

The rephasing of the Local Plan budget proved overly pessimistic as there was an overspend of £34,000 to carry forward to 2015/16. Cabinet has recently received an update on the Local Plan which indicated that the work will take a year longer than had previously been estimated and the funding requirement is likely to be at least £0.5 million more than currently allowed for in the DDF programme. The amount and timing of funding will be analysed in detail as part of the compilation of the 2016/17 budget.

Carry forwards of £575,000 have been requested, with the largest request being £245,000 from the Governance Directorate. Nearly half this amount relates to work on asset rationalisation, with smaller amounts of £30,000 for staffing in Development Control and £28,000 for Town Centre Support/Portas Initiative. The Directorate with the second highest carry forward is Resources, with a total of £132,000. The majority of the carry forward from this area relates to Building Maintenance (£58,000). Less significant carry forwards were also seen in the Neighbourhoods Directorate (£55,000) and for the Chief Executive (£75,000). The amount for the Chief Executive relates to the transformation programme.

Several items contributed to the net underspend of £298,000, the largest being additional income over that anticipated of £103,000 in Development Control. Notification has been received from the administrator of Heritable Bank that a final dividend of £100,000 will be paid during 2015. This means that the full amount of the deposits will have been recovered and supports the argument that the Government were wrong to place Heritable in administration as the bank was clearly not insolvent.

The effect of this is that there is a balance of £3.6 million on the DDF as at 31 March 2015 whereas it was expected that the balance would be £2.7 million. The carry forward provision of £575,000 has been added to the programme for 2015/16. The MTFS set in February 2015 had anticipated that the unallocated DDF balance would still be £0.9 million at the end 2018/19 and this has increased to £1.2 million. Even allowing for an additional £0.6 million on the Local Plan this still leaves a further £0.6 million as unallocated at this time.

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	14,019	14,001	13,512	(507)	(489)
Depreciation	13,231	12,480	12,941	(290)	461
Total Expenditure	27,250	26,481	26,453	(797)	(28)
Gross Dwelling Rents	(31,815)	(31,631)	(31,585)	220	(46)
Other Rents and Charges	(2,450)	(2,457)	(2,410)	(40)	(47)
Total Income	(34,265)	(34,088)	(33,995)	270	93
Net Cost of Service	(7,015)	(7,607)	(7,542)	(527)	65
Interest and Other Transfers	(402)	(395)	(521)	(119)	(126)
Interest Payable	5,532	5,529	5,558	26	29
Transfer from Major Repairs Reserve	(6,186)	(4,958)	(5,611)	575	(653)
Net Operating Income	(8,071)	(7,431)	(8,116)	(45)	(685)
Appropriations					
Capital Expenditure Charged to Revenue	5,700	5,200	5,200	(500)	0
Transfer to Self Financing Reserve	3,180	3,180	3,180	0	0
Other	(2)	38	132	134	94
Deficit for Year	807	987	396	(411)	(591)
Opening Balance 1/4/14	(2,966)	(2,966)	(2,966)	0	0
Deficit for year	807	987	396	(411)	(591)
Closing Balance - 31/3/15	(2,159)	(1,979)	(2,570)	(411)	(591)

Deficits within the HRA of £807,000 and £987,000 were expected within its original and probable outturn revenue budgets respectively; the actual outturn was a deficit of £396,000. The difference of £591,000 between the revised estimate and the actual is largely due to depreciation and the transfer from the Major Repairs Reserve (MRR). These two items are related so it is only the net difference between the two variances of £192,000 that affects the bottom line.

Income from Dwelling Rents was down on expectations as sales of Council properties were higher than expected. This was largely adjusted for in the revised estimates and that is why the variance to the revised budget of £46,000 is much smaller than the variance of £220,000 from the original budget. There were savings on Revenue Expenditure of £488,000 when compared to the revised position. One of the larger underspends was on energy charges (£61,000) and there was also a lower than expected increase in the bad debt provision which saved £67,000.

The revenue balance on the HRA of £2.6 million is above the target balance of £2 million previously agreed by Cabinet. This is also supported by the balance on the MRR of £11.1 million, being £1.5 million higher than estimated.

The government has announced that for four years beginning on 1 April 2016 Local Authority rents will be reduced by 1% per annum, there is also a proposal to compel the sale of high value properties once they become void to fund the extension of the right to buy to registered social landlords. Both of these factors will have a significant impact on the Council and it will be necessary to review replacement cycles of key components to assess whether these need to be increased in light of these developments.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2014/15.

	Original Estimate	Revised Estimate	Actual Spend	Variance from Original	Variance from Revised
Capital Expenditure and Financing	£000	£000	£000	£000	£000
General Fund	8,629	8,873	6,263	(2,366)	(2,610)
Housing Revenue Account	17,823	15,219	13,851	(3,972)	(1,368)
Total Expenditure	26,452	24,092	20,114	(6,338)	(3,978)
Grants	2,346	2,348	1,735	(611)	(613)
Capital Receipts	7,895	7,578	5,403	(2,492)	(2,175)
Revenue Contributions	16,211	14,166	12,976	(3,235)	(1,190)
Total Financing	26,452	24,092	20,114	(6,338)	(3,978)

The table identifies a net underspend against the revised estimate of £3.98 million. This includes some schemes showing genuine savings. However, there are also schemes where expenditure was ahead of schedule and these overspends in 2014/15 have been financed by bringing forward £217,000 of funding from 2015/16.

As always with the capital programme, there has been some slippage and £4.3 million of funding has been carried forward to 2015/16. The two largest areas of slippage on non-housing items were the expenditure on the St Johns re-development project (£1,000,000) and the planned maintenance programme (£557,000). This is an unusually large figure for the planned maintenance programme, but the window replacements have been delayed by problems in manufacture and this in turn has delayed the solar panel project which will follow on from completion of the windows. The £2.52 million underspend on the General Fund programme is closely matched by the net carry forward is £2.51 million, as overspends are a relatively small £10,000 on the projects undertaken.

On the housing programme the greatest slippage was on the kitchen and bathroom replacements (£501,000 less than expected). This was partly caused by some of these works being done as void refurbishment when the properties became free. There was also an underspend of £436,000 on the new house building schemes as these were running behind schedule. The total underspend of £1.37 million on the HRA programme matches the net carry forward as there were no significant over or underspends on projects undertaken.

The generation of capital receipts proved to be higher in 2014/15 than had been anticipated. This was partly due to the increased number of council house sales since the rise in the maximum allowable Right to Buy discount from £34,000 to £75,000. Actual sales of 46 were down slightly on last year's total of 53, but comfortably exceeded the estimate of 37. In addition to this, the Council benefited from further capital receipts from the sales of Leader Lodge (HRA) and the refuse fleet and Church Hill car park (General Fund). On the other hand, the use of capital receipts to finance expenditure was £2.2 million lower than estimated reflecting the overall underspend on the General Fund in particular. The impact of the increased receipts and reduced usage is that the year end balance is £4.9 million higher than projected, standing at £19.6 million as at 31 March 2015. The movements in capital resources are set out in the tables below:

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Usable Capital Receipt Balances					
Opening Balance - 1/04/14	12,741	17,467	17,467	4,726	-
Usable Receipts Arising	1,029	4,874	7,469	6,440	2,595
Use of Other Capital Receipts	(7,895)	(7,578)	(5,402)	2,493	2,176
Closing Balance - 31/3/15	5,875	14,763	19,534	13,659	4,771

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Major Repairs Reserve					
Opening Balance - 1/04/14	9,998	11,359	11,359	1,361	-
Major Repairs Allowance	7,045	7,045	7,321	276	276
Use of MRR	(10,511)	(8,754)	(7,526)	2,985	1,228
Closing Balance - 31/3/15	6,532	9,650	11,154	4,622	1,504

THE FUTURE

In looking ahead it is worth considering the international situation as our economy does not exist in isolation and is not immune from events in Europe, the Middle East or America. Europe has been slower to emerge from recession than the United Kingdom and following encouragement from the International Monetary Fund has now adopted more expansionary monetary policies to provide a stimulus. However, the main problem in Europe is the question of who will be staying in Europe with talk of both the "Grexit" and a "Brexit." Even if the Greek referendum supports the austerity measures demanded by Greece's creditors, it is hard to see who will implement the necessary reforms and that this will be anything other than another temporary delay before the inevitable exit. The Middle east continues as a concern with several on-going conflicts and this instability causing fluctuations in oil prices. Iraq and Syria head the list of concerns at the moment but the whole region is in a volatile state. There are other flashpoints worthy of a brief mention as well, such as Ukraine and North Korea. Overall there is little on the world stage that encourages enthusiasm and creates optimism about the world economy.

The two domestic votes since last year have seen Scotland decide to remain as part of the United Kingdom and a Conservative government returned at the General Election. The first past the post system limited the affect of UKIP on the national stage but they now have a presence of varying sizes in most councils. As the next vote will be the one to determine what role the United Kingdom has in Europe it would be rash to think we will be seeing any less of Mr Farage for some time.

The domestic economy continues to recover, although still at a slow pace. Despite the reductions in unemployment there has been little extra money coming in to the Treasury by way of either personal or corporate tax and consequently Government borrowing remains high and further action is needed on deficit reduction. There is still a week to go before the Budget, but there are likely to be few surprises. Further reductions in funding for local authorities are inevitable it is just their size that is still to be confirmed. One reduction we know the size of already is the £12 billion that is to come off the welfare bill. With protection promised for pensioners and child benefit it is evident those of working age will suffer the greatest impact. Speculation about the cuts is focused on tax credits and the welfare cap but to achieve a saving of £12 billion the net will need to be cast wider than this.

It is a concern that as funding will be reduced for local authorities there will be pressure to increase the Council Tax and the amount of Council Tax paid by those receiving Local Council Tax Support (LCTS). We have held the charge to those on LCTS at 20% for two years and this is also the recommendation for 2016/17, but at some point this will need to increase. However, those in receipt of LCTS are likely to have their income reduced by the other welfare reforms and so will be less able to pay the Council Tax. The percentage of a full bill paid by those receiving support will need to increase from 20% but the amount of the increase has to be carefully considered. In many of these cases if the individuals were presented with a full bill they would be unable to pay it and so would pay nothing. There is a tipping point somewhere between 20% and 100% at which these cases will not make an attempt to pay and we need to be mindful of this in designing future schemes. Equally, there is a limit to the extent that Members will be prepared to subsidise this benefit from General Fund resources.

The local retention of non-domestic rates provides an opportunity in the long term but is something of a headache in the short term. Imposing a deadline on appeals against the 2010 Rating List produced an avalanche of appeals with the Valuation Office Agency (VOA) receiving 200,000 new appeals between January and March 2015. This caused a doubling in our appeals provision to over £3 million. It is difficult to predict what the ultimate outcome will be and when the VOA will provide it. The late flood of appeals was common across most authorities and this creates another risk as we are part of the Essex Pool for 2015/16 and so, even if our own appeals go well, we could be adversely affected by other Pool members suffering shortfalls. Prospects for own rating list are promising with the developments at St John's Road, Langston Road and North Weald Airfield. It is difficult to predict when these developments will take place and their precise impact on the rating list but they do provide a balance against the other largely negative prospects on the horizon.

The final key area in need of mention is New Homes Bonus (NHB), which has helped limit the overall impact of Government funding reductions. In the lead up to the General Election, the Labour Party had stated they would scrap NHB whilst the Conservatives were keen to keep it in place. As the CSB contains £2 million of income from the NHB, it is good from a financial viewpoint that this funding will remain. There is less certainty about the system for non-domestic rates as the Department for Communities and Local Government (DCLG) is conducting a review. The business community and local authorities are at opposite ends of the spectrum in terms of the powers that should be devolved and the extent to which the system should be localised. My main hope for any new system is that an adequate replacement is found for the VOA which is simply not fit for the job it is currently being asked to perform.

Whilst the General Fund revenue balances are lower than anticipated, the variance is not significant. The current reserves policy stipulates that the balances should not go below 25% of net budget requirement. This would allow a reduction from the current level of £9.3 million to £3.1 million by the end of 2018/19. It is very difficult to imagine £1.6 million being used from reserves each year for all of the next four years and so there seems little chance of this limit being breached in the medium term.

The Housing Revenue Account is also in a strong financial position, although the number of right to buy sales generated by the increased level of discount is causing some concern. The first concern is in terms of lost rental income as this is much greater than had been allowed for in the modelling of the HRA for self-financing. Secondly, there is concern about the ability of the Council to spend the much larger amount of receipts on new housing within the time allowed. A dedicated Cabinet Committee keeps the house building programme and its financing under review to ensure the Council is not required to pay over receipts and interest to the Government.

The forward programme of non housing revenue account capital investment has been boosted by the recent decision to spend £30 million on acquiring land at Langston Road and proceeding with the redevelopment of this site as a retail park. This should bring huge benefits to the area in terms of jobs and regeneration. It will also help secure the financial future of the Council, with the annual rents likely to exceed £2.5 million. The redevelopment of St Johns should have similar positive affects, although it is unlikely the Council will retain a financial interest in this scheme.

The Council's financial strength has meant its response to the austerity programme could be more measured than some other authorities who have rushed to cut jobs and services. The service restructures that began in 2013/14 have been finalised and efficiency and effectiveness have been enhanced whilst realising savings in a sustainable way. Reductions in grant support will continue and financial pressures will inevitably arise from service areas. The MTFS is regularly revisited and updated and the net savings targets may need to be increased, to achieve these savings over the medium term there will need to be a hard look at priorities. The Council will have to consider reductions in the level at which many services are provided and whether some continue to be provided at all, particularly where there is either private sector provision or no statutory duty on the Council to provide a service.

The Council's accounts were completed and approved for issue on 30 June 2015.

Robert Palmer BA ACA
Director of Resources

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 ELIZABETH WEBSTER
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 60 give a true and fair view of the financial position of the Council as at 31 March 2015 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
DIRECTOR OF RESOURCES

September 30, 2015

Opinion on the Council's financial statements

We have audited the financial statements of Epping Forest District Council for the year ended 31 March 2015 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 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 the preparation of the financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 in the explanatory foreword 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

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 2014/15.

Opinion on other matters

In our opinion, the information given in the 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 Council's arrangements for securing economy, efficiency and effectiveness in the 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 the review of arrangements for securing economy, efficiency and effectiveness in the 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 2013, 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 2015.

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 2013, 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 2015.

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-Jun-15

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
Movements in 2013/14	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2013	9,670	4,683	3,375	7,503	13,900	9,755	222	49,108	308,744	357,852
Surplus/(Deficit) on Provision of Services	(4,682)	-	32,344	-	-	-	-	27,662	-	27,662
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	24,945	24,945
Total Comprehensive Income and Expenditure	(4,682)	-	32,344	-	-	-	-	27,662	24,945	52,607
Adjustment between accounting and funding bases under regulations	6 5,278	-	(30,468)	-	3,567	1,604	(38)	(20,057)	20,057	-
Net Increase/(Decrease) before transfer to Earmarked Reserves	596	-	1,876	-	3,567	1,604	(38)	7,605	45,002	52,607
Transfers to Earmarked Reserves	(382)	382	(2,285)	2,285	-	-	-	-	-	-
Increase/(Decrease) in Year	214	382	(409)	2,285	3,567	1,604	(38)	7,605	45,002	52,607
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
Movements in 2014/15	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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
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	369,148	429,000

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2015

	Note	2014/15		<i>Net Expend £000</i>	2013/14		<i>Net Expend £000</i>
		Gross Expend £000	Income £000		Gross Expend £000	Income £000	
CONTINUING OPERATIONS							
Central Services to the Public		3,872	(1,158)	2,714	4,306	(1,191)	3,115
Corporate and Democratic Core		2,629	-	2,629	2,600	-	2,600
Cultural & Related Services		6,578	(900)	5,678	4,945	(837)	4,108
Environmental & Regulatory Services		10,689	(2,836)	7,853	10,738	(3,180)	7,558
Highways and Transport Services		1,329	(1,446)	(117)	1,200	(1,150)	50
Non Local Authority Housing		40,128	(38,470)	1,658	40,667	(39,524)	1,143
Planning Services		4,239	(1,375)	2,864	4,274	(1,124)	3,150
Housing Revenue Account		27,269	(50,791)	(23,522)	27,743	(64,454)	(36,711)
NET COST OF SERVICES		96,733	(96,976)	(243)	96,473	(111,460)	(14,987)
OTHER OPERATING EXPENDITURE	8			2,181			1,948
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	9			5,002			4,714
TAXATION AND NON-SPECIFIC GRANT INCOME	10			(20,578)			(19,337)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				(13,638)			(27,662)
(Surplus) on Revaluation of Property Plant and Equipment	11			(15,250)			(4,653)
Actuarial (gains)/losses on Pension Assets/Liabilities	32			10,210			(20,425)
Other (Gains)/Losses				137			133
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				(18,541)			(52,607)

BALANCE SHEET

	Note	31 March 2015		31 March 2014	
		£000	£000	£000	£000
LONG TERM ASSETS					
Property, Plant & Equipment	11	579,048		554,477	
Heritage Assets		542		542	
Investment Properties	12	43,034		39,754	
Intangible Assets		616		543	
Long Term Investments	14	5,001		10,004	
Long Term Debtors	13	2,642		2,453	
TOTAL LONG TERM ASSETS			630,883	607,773	
Current Assets					
Assets held for sale		850		1,510	
Inventories		240		274	
Debtors and Prepayments	15	5,168		5,653	
Short Term Temporary Investments	14	37,088		33,910	
Cash & Cash Equivalents	16	26,209		15,338	
			69,555	56,685	
Current Liabilities					
Creditors	17	(13,146)		(8,943)	
Provisions	18	(1,356)		(794)	
			(14,502)	(9,737)	
LONG TERM LIABILITIES					
Long Term Loans	14	(185,456)		(185,456)	
Pensions Liability	32	(69,929)		(57,820)	
Capital Grant Receipts in Advance		(1,551)		(986)	
			(256,936)	(244,262)	
TOTAL ASSETS LESS LIABILITIES			429,000	410,459	
Usable Reserves		59,852		56,713	
Unusable Reserves	19	369,148		353,746	
			429,000	410,459	

THE CASH FLOW STATEMENT

	Note	2014/15 £000	2013/14 £000
Net Surplus on Provision of Services		13,638	27,662
Adjustments to net surplus or deficit on the provision of services for non-cash movements	20	12,882	(6,901)
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20	(8,950)	(6,870)
<hr/>			
Net cash flows from Operating Activities	20	17,570	13,891
Investing Activities	21	(7,846)	(10,187)
Financing Activities	22	1,147	1,728
<hr/>			
Net Increase or (Decrease) in cash and cash equivalents		10,871	5,432
Cash and Cash Equivalents at the beginning of the reporting period		15,338	9,906
<hr/>			
Cash and Cash equivalents at the end of the reporting period	16	26,209	15,338

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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 2014/15. 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. ESTIMATION

Where actual amounts to be included within the accounts are uncertain, estimates are used. The estimate is based on the best assessment of information available at the time of closing the accounts. When the actual figures are determined any difference arising is accounted for in the year when the actual figure is determined.

1.4 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 2010/11 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)

1.5 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.

The introduction of IFRS via the 2010/11 code required the Council to value component parts of PPE for the first time. This applies when an asset is either revalued or a component replaced or created and is subject to a significance test. The purpose of this is to ensure that the depreciation charge accurately reflects the differing useful lives of components particularly where the asset within which the component is situated has a rather longer life.

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 ASSETS HELD FOR SALE

Assets are classed as being held for sale where, at the balance sheet date, they were being actively marketed and the sale itself is highly probable in its current condition.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves. They include reserves for the Housing self financing, 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.

1.15 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.

1.16 INTERNAL INTEREST

Interest is credited to the HRA based on the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the HRA Item 8 Credit and Item 8 Debit (general) Determinations 2014/15.

1.17 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.

1.18 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.

1.19 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 Council has no agreements that meet the definition of 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 31).

Where an asset has been disposed of, the profit or loss on disposal is applied to the CIES with corresponding entries to fixed assets and cash/debtors. Subsequently, the income derived is credited to the Usable Capital Receipts Reserve, and accounted for on an accruals basis. The profit or loss on disposal is then reversed within the Movement in Reserves Statement to neutralise the effect on the General Fund of the entry in the CIES. Upon disposal, any valuation gains since 1 April 2007 relating to those assets are written off against the Revaluation Reserve with the remainder being written off against the Capital Adjustment Account.

1.20 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.

1.21 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.

1.22 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 2015 for the 2015/16 financial year). The applicable standards are as follows:

IFRS 13, Fair Value measurement issued in May 2011. This unlikely to have a significant impact on the Council.

IFRIC 21 is concerned with Levies. As above this is unlikely to have a significant impact on the Council.

Annual improvements to IFRSs (2011-2013 cycle). The issues included in the cycle related to the following standards:-

IFRS 1: Meaning of effective IFRSs:

IFRS 3: Scope exceptions for joint ventures;

IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

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 32. The carrying value of the Pensions Liability is (£69.9 million).

5. EVENTS AFTER THE BALANCE SHEET DATE

The Council has agreed to purchase land at Langston Road to enable the construction of a retail park on that site and the neighbouring site currently occupied by the Council. The cost of land acquisition, building and letting the retail units concerned is expected to be around £30m with the project expected to be completed towards the end of the 2016 calendar year. No amount have been recognised with regard to this in 2014/15.

Non-adjusting event

On 8 July 2015 the UK chancellor announced a number of proposals that will impact on housing authorities including a change to the convergent rents formula that will be replaced with a formula that requires a 1% decrease in rents each year, for four years, commencing from 1 April 2016. This event occurred after the balance sheet date and does not provide additional information about, nor represent a change in, conditions that existed at that date. Therefore, in accordance with International Accounting Standard 10 "Events after the reporting period", the Government's budget statement is a non-adjusting post balance sheet event.

The financial statements do not reflect the possible financial consequences of the matters described below.

As per accounting policy 1.4, the Council carries its social housing properties at valuation. This valuation is determined as the Existing Use Value – Social Housing (EUV-SH). EUV-SH takes into account that the Council has committed to use the housing assets for social housing purposes and so represents a lower value than would be applied to comparable housing in the private sector. Overall it is expected that Government's intentions will lead to a revaluation loss to be recognised in the 2015/16 financial statements, however, until further details of the intentions are made available the Council has been unable to determine the specific details of the financial impact.

The financial statements were authorised for issue on 30 June 2015 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.

	2014/15 £000					
	<i>Usable Reserves</i>					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:						
<i>Exclusions;</i>						
Charges for depreciation and impairment of non-current assets	(2,637)	(12,955)	-	-	-	15,592
Reversal of Impairment of non-current assets	(1,490)	16,531	-	-	-	(15,041)
Movements in the fair 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 balances	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 and business rate 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 the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(41)	(22)	-	-	-	63
TOTAL ADJUSTMENTS	(5,636)	17,949	(2,067)	205	48	(10,499)

	2013/14					
	£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	(2,359)	(13,136)	-	-	-	15,495
Upward/(Downward) revaluation of non-current assets	(62)	29,930	-	-	-	(29,868)
Movements in the market value of Investment Properties	470	-	-	-	-	(470)
Amortisation of intangible assets	(221)	(6)	-	-	-	227
Capital Grants and contributions applied	242	237	-	-	-	(479)
Revenue expenditure funded from Capital under statute	(134)	-	-	-	-	134
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(202)	(3,640)	-	-	-	3,842
Capital expenditure charged against the General Fund and HRA	23	4,200	-	-	-	(4,223)
Application of HRA self financing loan transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account	(38)	-	-	-	38	-
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	13	5,945	(5,958)	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	(7)	-	-	7
Used to finance new capital expenditure	-	-	1,644	-	-	(1,644)
Contribution towards administrative costs of non-current asset disposals	-	(69)	69	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(685)	-	685	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	127	-	-	-	(127)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	7,749	-	(7,749)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,145	-	(6,145)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES	(2,023)	(865)	-	-	-	2,888
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.	(290)	-	-	-	-	290
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	(12)	(4)	-	-	-	16
TOTAL ADJUSTMENTS	(5,278)	30,468	(3,567)	(1,604)	38	(20,057)

7. EARMARKED RESERVES

A summary of balances on earmarked reserves is set out below.

	Balance 31			Balance 31			Balance 31
	March 2013 £000	Transfers Out £000	Transfers In £000	March 2014 £000	Transfers Out £000	Transfers In £000	March 2015 £000
Housing Repairs Reserve	3,508	(5,953)	5,200	2,755	(6,264)	5,000	1,491
District Development Fund	3,581	(1,904)	2,171	3,848	(2,110)	1,861	3,599
Invest to Save Reserve	-	-	-	-	-	500	500
Self Financing Reserve	3,180	-	3,180	6,360	-	3,180	9,540
Pension Deficit Reserve	66	(66)	-	-	-	-	-
Deferred Revenue Income	479	(21)	-	458	(20)	-	438
Insurance Reserve	1,130	(81)	-	1,049	-	20	1,069
Service Enhancement Fund (HRA)	170	(608)	550	112	(837)	904	179
Building Control	21	-	-	21	-	60	81
On Street Parking	28	-	-	28	(12)	-	16
Museum Fund	18	-	8	26	(18)	45	53
All Weather Pitch	-	-	-	-	-	17	17
O2 Mast Fund	-	-	-	-	(22)	70	48
Rental Loans	-	-	191	191	(23)	-	168
Small Loans Fund	5	-	-	5	-	1	6
Total Earmarked Reserves	12,186	(8,633)	11,300	14,853	(9,306)	11,658	17,205

8. OTHER OPERATING EXPENDITURE

	31 March	
	2015 £000	2014 £000
Parish Council Precepts	3,077	2,990
Parish Support Grants	281	320
Payments to the Government Housing Receipts Pool	751	685
(Gains)/losses on the disposal of non-current assets	(1,928)	(2,047)
Total	2,181	1,948

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March	
	2015 £000	2014 £000
Total Net Surplus from Trading Operations (Note 24)	(2,620)	(2,640)
Interest payable and similar charges	5,564	5,542
Pensions interest cost	2,453	3,009
Interest receivable and similar income	(446)	(431)
Changes in Fair Values of Investment Properties	233	(470)
Changes in Value of Deferred Capital Receipts	(82)	(127)
Reversal of Investment Impairment	(100)	(169)
Total	5,002	4,714

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	31 March	
	2015 £000	2014 £000
Council Tax income	(10,829)	(10,567)
Non Domestic Rate income and expenditure	(2,488)	(2,519)
Non-ring fenced government grants	(6,151)	(6,251)
Capital grants and other contributions	(1,110)	0
Total	(20,578)	(19,337)

11. PROPERTY PLANT AND EQUIPMENT

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	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		(210)	61	-	-	-	-	(149)
Additions	12,383	860	587	497		-	1,288	15,615
Disposals	(3,309)	-	(2,999)	-	-	-	(30)	(6,338)
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	19,034	2,822	646	4,494	592,728
Depreciation 31 March 2014	-	(2,113)	(7,016)	(5,676)	-	(8)	-	(14,813)
Restated	-	11		-	-	-	-	11
Reclassified	1	(23)		22	-	-		-
Depreciation in Year	(12,655)	(919)	(1,513)	(505)	-	-	-	(15,592)
Depreciation on Assets Sold	82	-	1,461	-	-	-	-	1,543
Accumulated Depreciation & Impairment written off on revaluation	12,573	2,590	-	-	-	8	-	15,171
Depreciation 31 March 2015	1	(454)	(7,068)	(6,159)	-	-	-	(13,680)
Net Book Value 31 March 2015	513,592	38,057	6,562	12,875	2,822	646	4,494	579,048

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2013	459,848	43,577	15,399	18,289	2,822	794	1,217	541,946
Reclassified	-	(43)		(26)	-	43	-	(26)
Restated	(27)	(269)	(365)		-	-	-	(661)
1 April 2013	459,821	43,265	15,034	18,263	2,822	837	1,217	541,259
Additions	10,310	398	627	221			216	11,772
Disposals	(3,736)	-	(78)	-	-	-	-	(3,814)
Reclassified in year	(1,437)	355	398	205	-	(858)	513	(824)
Revaluations Applied to the CIES	30,544	(89)	-	-	-	-	(587)	29,868
Revaluation Credited to the Revaluation reserve	2,985	230	-	-	-	817	365	4,397
Accumulated Depreciation & Impairment Written off on revaluation	(12,693)	(639)	-	-	-	-	(36)	(13,368)
Gross Book Value 31 March 2014	485,794	43,520	15,981	18,689	2,822	796	1,688	569,290
Depreciation 31 March 2013		(2,026)	(6,094)	(5,177)	-	(8)	-	(13,305)
Restated Depreciation	-	74	385	-	-	-	-	459
1 April 2013		(1,952)	(5,709)	(5,177)	-	(8)	-	(12,846)
Reclassified	37	(55)	53	1			(36)	-
Depreciation in Year	(12,826)	(745)	(1,424)	(500)	-	-	-	(15,495)
Depreciation on assets sold	96		64	-	-	-	-	160
Accumulated Depreciation & Impairment written off on revaluation	12,693	639	-	-	-	-	36	13,368
Depreciation 31 March 2014	-	(2,113)	(7,016)	(5,676)	-	(8)	-	(14,813)
Net Book Value 31 March 2014	485,794	41,407	8,965	13,013	2,822	788	1,688	554,477

	OPERATIONAL ASSETS							Total
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	
	£000	£000	£000	£000	£000	£000	£000	
Carried at historical cost	40	351	13,630	19,034	2,822	-	2,058	37,935
Valued at fair value as at:								
28 February 2015	513,551	27,608	-	-	-	81	1,040	542,280
31 March 2014		9,027	-	-	-	-	1,246	10,273
31 March 2013	-	275	-	-	-	540	-	815
31 March 2012	-	1,250	-	-	-	25	150	1,425
Total Cost or Valuation	513,591	38,511	13,630	19,034	2,822	646	4,494	592,728

The Council dwellings and garages valuation has been carried out by District Valuer Rachel Covill, MRICS, and other assets by either the Council's Principal Valuer and Estates Surveyor or in case of the leisure centres George Nicholls FRICS FAAV of the property surveyors Kemsley LLP. The valuation date for 2014/15 is 28 February, previously this was 31 March of the year to which the accounts relate. As part of this years revaluation the valuer has re-assessed the proportion of value in the Land element and concluded that it should remain unchanged at 35%. The valuer has also provided assurance that the valuation has not changed significantly between 28 February and the year end.

The useful lives of both dwellings and the components within have been reviewed during 2014/15. The useful life of the buildings has been assessed at 60 years with the average life of components at 26 years.

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

12. 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	
	2015 £000	2014 £000
Rental income from investment property	4,177	4,109
Direct operating expenses arising from investment property	(349)	(268)
Net gain/(loss)	3,828	3,841

The following table summarises the movement in fair value of investment properties over the year. Most property valuations have increased slightly or remained the same. The updated valuations were carried out as at 31 March 2015. The reduction was due to a fall in the value of land at North Weald Airfield used for the Saturday and Bank Holiday markets. The popularity of the market has been diminishing over recent years and fewer traders and members of the public attend. A reduced rent was agreed with the operator and as a result the valuation fell. The acquisition relates to the purchase of the long leasehold interest in 2-18 Torrington Drive, Loughton.

	31 March	
	2015 £000	2014 £000
Balance as at 31 March	39,754	39,242
Reclassified		26
Balance as at 1 April	39,754	39,268
Reclassified in year	(39)	(34)
Acquisition	3,524	-
Construction	28	50
Net gains/(losses) from fair value adjustments	(233)	470
Balance at end of the year	43,034	39,754

13. LONG TERM DEBTORS

	31 March	
	2015 £000	2014 £000
Mortgages	5	13
Capital Advances (B3 Living)	493	493
Rents to Mortgages	1,575	1,493
Other Local Authorities - Transferred Debt	351	377
Home Assist Loans	143	77
Place Loans	75	-
Net Carrying Amount at end of year	2,642	2,453

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Financial liabilities at amortised cost				
Borrowing	185,456	185,456	-	-
Trade Creditors	-	-	6,076	5,277
Total financial liabilities	185,456	185,456	6,076	5,277
Loans and receivables				
Investments	5,001	10,004	37,088	33,911
Debtors	2,642	2,453	5,583	5,866
Cash	-	-	11,209	10,308
	7,643	12,457	53,880	50,085
Available for Sale	-	-	15,000	5,030
Total financial assets	7,643	12,457	68,880	55,115

On 28 March 2012 the Council took on new 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 £15m 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.

The Council held investments with the Heritable Bank, a UK regulated subsidiary of an Icelandic Bank, that went into administration. As a result, the value of the investments held were impaired in line with CIPFA's LAAP Bulletin 82 which was issued to provide guidance relating specifically to this situation. As at 31 March 2015 94% of the investment had been returned with a further dividend of 4% due to be paid in August 2015. £100,000 has been included as income in the CIES for this.

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:	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Interest expense	(5,564)	(5,542)	-	-
Impairment (losses) / gains	-	-	-	-
Interest payable and similar charges	(5,564)	(5,542)	-	-
Interest income	-	-	446	431
Interest and investment income	-	-	446	431
Net gain/(loss) for the year	(5,564)	(5,542)	446	431

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 2015 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 2015		31 March 2014	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<u>Financial liabilities</u>				
Borrowing	185,501	223,847	185,501	187,940
Long-term creditors	-	-	-	-
Total Financial Liabilities	185,501	223,847	185,501	187,940
<u>Financial assets</u>				
Investments	42,089	42,089	43,914	43,914
Long-term debtors	2,642	2,642	2,453	2,453
Total Financial Assets	44,731	44,731	46,367	46,367

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 £5,001,000 (£10,004,000 at 31 March 2014) classed as investments in excess of one year. This relates 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.

15. DEBTORS AND PREPAYMENTS

	31 March	
	2015 £000	2014 £000
Amounts falling due in one year		
Government Departments	793	990
Other Local Authorities	692	1,067
Council Tax arrears	543	278
NDR arrears	327	243
Housing Rent arrears	422	473
Sundry debtors	2,281	2,426
Prepayments	110	176
Total Debtors	5,168	5,653

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 2014/15 there was a net creditor for both Council Tax and Business Rates.

16. CASH AND CASH EQUIVALENTS

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

	31 March	
	2015 £000	2014 £000
Cash	48	147
Bank current accounts	11,161	10,161
Short-term deposits with money market funds	15,000	5,030
Total Cash and Cash Equivalents	26,209	15,338

The 'Short-term deposits' relates to £15m 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.

17. CREDITORS

	31 March	
	2015 £000	2014 £000
Government Departments and Other Local Authorities	5,177	1,940
Council Tax	240	220
Non Domestic Rates	325	136
Housing rents	251	309
Sundry creditors	4,454	4,422
Accruals and deferred income	2,699	1,916
Total Creditors	13,146	8,943

Included within creditors is £3,000 (£3,000 at 31 March 2014) 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 2014/15.

18. PROVISIONS

An outstanding legal case provision of £51,000 is included as at 31 March 2015. 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, therefore an amount of £145,000 has been included within creditors. 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 some doubt around the exact value of liability for costs which is why the unused amount previously set aside 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 £3.26 million of which £1.31 million relates to this Council.

19. USABLE AND UNUSABLE RESERVES

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

	31 March	
	2015 £000	2014 £000
Revaluation Reserve	26,248	12,587
Capital Adjustment Account	411,607	397,913
Pensions Reserve	(69,929)	(57,820)
Deferred Capital Receipts Reserve	1,580	1,504
Collection Fund Adjustment Account	(132)	(275)
Accumulated Absences Account	(226)	(163)
Total Unusable Reserves	369,148	353,746

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	
	2015 £000	2014 £000
Balance as at 1 April	12,587	7,934
Revaluations during the year	15,251	4,534
Depreciation adjustment	(236)	122
Disposals/Restatements	(1,354)	(3)
Balance at 31 March	26,248	12,587

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.

	31 March		
	2015		2014
	£000	£000	£000
Balance at 1 April		397,913	374,915
Reversal of items relating to capital expenditure debited or credited to the CIES			
Charges for depreciation and impairment of non-current assets	(15,592)		(15,495)
Revaluation gains/(losses) on Property, Plant and Equipment	15,041		29,868
Amortisation of intangible assets	(186)		(227)
Revenue expenditure funded from capital under statute			(134)
Amounts for non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	(6,286)	(7,023)	(3,842)
Adjusting Amounts written out of the Revaluation Reserve		1,589	(134)
		<hr/>	
		392,479	384,951
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	5,402		1,644
Use of the Major Repairs Reserve to finance new capital expenditure	7,526		6,145
Capital grants credited to the CIES that have been applied to capital financing	1,149		480
Capital expenditure charged against the General Fund and HRA balances	5,421	19,498	4,223
Asset Restatements		(137)	-
Movement in the market value of Investment Properties debited or credited to the CIES		(233)	470
Balance at 31 March	0	411,607	397,913

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	
	2015 £000	2014 £000
Balance at 1 April	(57,820)	(75,357)
Remeasurements of the net defined liability/(asset)	(10,210)	20,425
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(6,101)	(6,855)
Employers pensions contributions and direct payments to pensioners payable in the year	4,202	3,967
Balance at 31 March	(69,929)	(57,820)

20. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	31 March	
	2015 £000	2014 £000
Depreciation	15,592	15,495
Amortisation	186	227
Impairment and upward revaluations	(14,903)	(30,090)
Increase / (Decrease) in Creditors	1,520	1,333
(Increase) / Decrease in Interest and Dividend Debtors	29	(111)
(Increase) / Decrease in Debtors	1,414	(748)
(Increase) / Decrease in Inventories	34	61
Pension Liability	1,899	2,888
Carrying amount of non-current assets sold	6,286	3,842
Other non-cash items charged to the net surplus or deficit on the provision of services	825	202
Total	12,882	(6,901)

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

	31 March	
	2015 £000	2014 £000
Any other items for which the cash effects are investing or financing cash flows	(572)	(855)
Proceeds from the sale of property and equipment, investment property and intangible assets	(8,378)	(6,015)
Total	(8,950)	(6,870)

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

	31 March	
	2015 £000	2014 £000
Interest received	382	320
Interest charge for the year	(5,565)	(5,542)
Other operating activities	22,753	19,113
Total	17,570	13,891

21. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March	
	2015 £000	2014 £000
Purchase of property, plant and equipment, investment property and intangible assets	(18,964)	(12,919)
Purchase of short-term and long-term investments	(68,003)	(99,638)
Other payments for Investing Activities	(201)	(1,228)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	8,384	5,948
Proceeds from short-term and long term investments	69,801	96,120
Other receipts from investing activities	1,137	1,530
Net cash flows from investing activities	(7,846)	(10,187)

22. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March	
	2015 £000	2014 £000
Billing Authorities - Council Tax and NNDR adjustments	1,147	1,728
Net cash flows from financing activities	1,147	1,728

23. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The Council changed its Directorate structure from 1 April 2014 and as a consequence the internal reporting requirements also changed. The figures for 2013/14 are presented under the former structure. The 2014/15 figures are based on the current structure.

	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)

	2013/14								Total £000
	Corporate Support Services £000	Deputy Chief Executive £000	Environmental & Street Scene £000	Finance & ICT £000	Housing £000	Office of the Chief Executive £000	Planning & Economic Development £000	Housing Revenue Account £000	
Fees, charges & other service income	(3,863)	(614)	(5,053)	(179)	(880)	(99)	(1,119)	(34,246)	(46,053)
Gain on Revaluation	-	-	-	-	-	-	-	(30,544)	(30,544)
Government Grants	-	-	-	(39,243)	-	(23)	(5)	-	(39,271)
Total Income	(3,863)	(614)	(5,053)	(39,422)	(880)	(122)	(1,124)	(64,790)	(115,868)
Employee Expenses	637	963	1,600	2,141	614	202	1,644	3,159	10,960
Other Service Expenses	728	730	9,515	804	608	170	574	9,795	22,924
Support Service Recharges	713	689	2,024	1,298	340	2,420	1,595	2,567	11,646
Depreciation	32	62	1,687	57	-	-	228	13,174	15,240
Benefit Payments	-	-	-	37,270	-	-	-	-	37,270
Total Operating Expenditure	2,110	2,444	14,826	41,570	1,562	2,792	4,041	28,695	98,040
Net Cost Of Services	(1,753)	1,830	9,773	2,148	682	2,670	2,917	(36,095)	(17,828)

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

	2014/15 £000	2013/14 £000
Net Expenditure in the Directorate Analysis	(2,896)	(17,828)
Services and Support Services not in analysis	32	201
Amounts included in the Analysis not included in the Net Cost of Service	2,620	2,640
Cost of Services in CIES	(243)	(14,987)

Reconciliation to Subjective Analysis

	2014/15						
	Directorate Analysis £000	Services and Support Services not in analysis £000	Amounts not reported to management for decision making £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)	11,313	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	108,785
Surplus/(Deficit) on the provision of services	(2,896)	32	-	2,620	(243)	(13,395)	(13,638)

Reconciliation to Subjective Analysis

	2013/14						
	<i>Directorate Analysis</i>	<i>Services and Support Services not in analysis</i>	<i>Amounts not reported to management for decision making</i>	<i>Amounts not included in Net Cost of Service</i>	<i>Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000	£000
<i>Fees, charges & other service income</i>	(46,053)	-	-	4,408	(41,645)	(4,359)	(46,004)
<i>Gain on Revaluation</i>	(30,544)	-	-	-	(30,544)	-	(30,544)
<i>Interest and Investment Income</i>	-	-	-	-	-	(431)	(431)
<i>Income from Council Tax</i>	-	-	-	-	-	(10,567)	(10,567)
<i>Government Grants and Contributions</i>	(39,271)	-	-	-	(39,271)	(8,770)	(48,041)
Total Income	(115,868)	-	-	4,408	(111,460)	(24,127)	(135,587)
<i>Employee Expenses</i>	10,960	201	-	(636)	10,525	3,645	14,170
<i>Other Service Expenses</i>	60,194	-	-	(525)	59,669	530	60,199
<i>Support Service Recharges</i>	11,646	-	-	(566)	11,080	512	11,592
<i>Depreciation, Amortisation and Impairment</i>	15,240	-	-	(41)	15,199	(598)	14,601
<i>Interest Payments</i>	-	-	-	-	-	5,542	5,542
<i>Precepts and Levies</i>	-	-	-	-	-	3,310	3,310
<i>Payments to Housing Capital Receipts Pool</i>	-	-	-	-	-	684	684
<i>(Gain)/Loss on Disposal of Fixed Assets</i>	-	-	-	-	-	(2,046)	(2,046)
<i>HRA self financing</i>	-	-	-	-	-	-	-
<i>Rents to mortgages valuation increase</i>	-	-	-	-	-	(127)	(127)
Total Expenditure	98,040	201	-	(1,768)	96,473	11,452	107,925
Surplus/(Deficit) on the provision of services	(17,828)	201	-	2,640	(14,987)	(12,675)	(27,662)

24. 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.

	2014/15 Expenditure £000	2014/15 Income £000	2014/15 Surplus/Deficit £000
Industrial Estates	139	(1,266)	(1,127)
Commercial Properties	427	(2,166)	(1,739)
Fleet Operations	480	(456)	24
North Weald Centre	967	(745)	222
Total Surplus	2,013	(4,633)	(2,620)
2013/14	1,768	(4,408)	(2,640)

25. MEMBER ALLOWANCES

Member allowances and expenses are shown below. Further details of these allowances are available on page 60.

	2014/15 £000	2013/14 £000
Allowances	309	291
Expenses	7	24
Total	316	315

26. OFFICER REMUNERATION

	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

	2013/14			
	Salary (Including fees & Allowances)	Benefits in Kind	Pension Contributions	Total Remuneration including pension contributions.
	£	£	£	£
Chief Executive	112,000	1,397	14,560	127,957
Deputy Chief Executive/Director of Neighbourhoods	89,803	2,951	11,674	104,428
Director of Housing	78,944	1,234	10,263	90,441
Director of Planning & Economic Development	78,697	525	10,231	89,453
Director of Finance & ICT	79,094	3,041	10,282	92,417
Director of Environment & Street Scene	78,798	1,239	10,244	90,281
Director of Corporate Support Services	78,158	1,239	10,161	89,558
Assistant to the Chief Executive	64,148	1,239	8,332	73,719

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	2014/15 Number of Employees	2013/14 Number of Employees
£50,000 - £54,999	9	9
£55,000 - £59,999	7	5
£60,000 - £64,999	2	2
£65,000 - £69,999	0	1
£70,000 - £74,999	0	0
£75,000 - £79,999	0	2
£80,000 - £84,999	0	3
£85,000 - £89,999	0	0
£90,000 - £94,999	4	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	1
Total	23	24

Senior Officers where emoluments - salary is £150,000 or more per year.

No Senior Officer fell under this category in 2013/14 or 2014/15.

Termination Benefits

Exit Package Cost Band (including special payments)	2014/15			Total Cost of Exit Packages in each band
	Number of Compulsory Redundancies	Number of Other Departures	Total number of Exit Packages	
£0- £20,000	3	4	7	52,222
£20,000 - £40,000			-	
£40,001 - £60,000		2	2	94,202
£60,001 - £80,000		1	1	66,325
Total cost included in bandings and in the CIES				212,749

27. EXTERNAL AUDIT FEES

The following external audit fees have been paid to the Audit Commission and BDO LLP.

	2014/15 £000	2013/14 £000
Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year.	86	85
Fees payable to BDO LLP for the certification of grant claims and returns for the year.	25	28
Rebate of fees from Audit Commission	(9)	(11)
Total	102	102

28. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES in 2014/15:

	2014/15 £000	2013/14 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	3,410	4,373
New Homes Bonus	1,854	1,310
S31 Small business rate Relief	757	446
Council Tax Freeze grant	83	82
Community Projects	16	17
Other	31	23
Total	6,151	6,251

	2014/15 £000	2013/14 £000
Credited to Services		
Department for Work and Pensions	37,651	38,577
Department for Communities and Local Government	819	587
Essex County Council	866	422
Essex Police Authority	44	23
Town and Parish councils	37	-
Hughmark Continental	-	16
Broxbourne Borough Council	48	48
Cabinet office	116	-
Arts Council	-	54
Lottery Fund	33	35
Harlow Health Works Project	60	59
Contributions to Affordable Housing	-	412
Other grants and contributions received	54	84
Total	39,728	40,317

29. RELATED PARTY DECLARATIONS

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

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis on Note 23 on reporting for resource allocation decisions.

Members & Officers

Members and Officers of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2014/15 is shown in Note 25. During 2014/15 expenditure totalling £435,900 (£333,480 in 2013/14) was paid to, and income totalling £61,190 (£77,490 in 2013/14) was received from, organisations in which 26 members and 1 Officer (27 members and 0 Officers in 2013/14) had connections. Included in the expenditure amount is a creditor of £3,000 (£3,000 in 2013/14). The nature of the expenditure was primarily grants and contributions to organisations of £353,700, subscriptions of £12,990, rent of £26,000 and £43,210 of other items with which members had declared interests, with varying levels of involvement.

30. 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.

	2015 £000	2014 £000
<i>Opening Capital Financing Requirement</i>	184,672	184,672
Capital Investment		
Property, Plant and Equipment	15,615	11,773
Investment Properties	3,552	50
Revenue Expenditure Funded from Capital Under Statute	-	134
Private Sector Housing Loans	61	205
Intangible Assets	270	154
Sources of Finance		
Capital Receipts	(5,402)	(1,644)
Government grants and other contributions	(1,149)	(304)
Major Repairs Reserve	(7,526)	(6,145)
Direct revenue contributions	(5,421)	(4,223)
Closing Capital Financing Requirement	184,672	184,672

31. 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	2014/15 £000	2013/14 £000
The total of future minimum lease payments due within 1 year are:		
Land & Buildings		
Shops	1,958	1,655
Industrial & Commercial	1,054	1,032
Other	310	924
Total Rental Receivable	3,322	3,611

The timing of total future minimum lease payments are:

	31 March 2015		31 March 2014	
	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	6,474	8,593	5,293	4,231
Industrial & Commercial	4,068	52,597	3,968	50,732
Other	1,077	4,249	2,751	6,940
Total	11,619	65,439	12,012	61,903

Gross Amount of Assets held for use in operating leases.

	31 March	
	2015 £000	2014 £000
Land & Buildings		
Shops	20,116	16,437
Industrial & Commercial	13,355	12,997
Other	9,562	10,320
Total Assets	43,033	39,754

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

32. 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 2015. 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 2014/15 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

	2014/15 £000	2013/14 £000
Service Cost	3,601	3,845
Net interest charged	2,453	3,009
Administration Expenses	47	15
Net charge made to the CIES	6,101	6,869

Re-measurements in other comprehensive income

	2014/15 £000	2013/14 £000
Return on Fund assets in excess of interest	9,550	4,470
Other actuarial gains/(losses) on assets	-	(1,442)
Change in financial assumptions	(19,841)	3,662
Change in demographic assumptions	-	10,884
Experience gain/(loss) on defined benefit obligation	81	2,851
Remeasurement of the net assets/(defined liability)	(10,210)	20,425

Pension Assets and Liabilities Recognised in the Balance Sheet

	2014/15 £000	2013/14 £000
Present value of the funded obligation	180,932	155,414
Present value of the unfunded obligation	4,086	4,101
Fair value of scheme assets	(115,089)	(101,695)
Net Liability in the Balance Sheet	69,929	57,820

Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		All Funded/Unfunded Liabilities: Local Government Pension Scheme	
	2015 £000	2014 £000	2015 £000	2014 £000
Net pensions liability at 1 April	(4,101)	(4,526)	(159,515)	(170,417)
Movements in the current year				
Current service cost	-	-	(3,572)	(3,659)
Interest cost	(173)	(179)	(6,915)	(6,901)
Change in financial assumptions	(224)	-	(19,841)	3,662
Change in demographic assumptions	-	-	-	10,884
Experience gain	81	-	81	2,851
Estimated benefits paid	-	-	5,479	4,859
Employers' contributions payable to scheme	-	335	-	-
Past service cost including curtailments	-	-	(29)	(186)
Contributions by scheme participants	-	-	(1,037)	(943)
Unfunded pension payments	331	-	331	335
Actuarial gain/(loss)	-	269	-	-
Net pensions liability at 31 March	(4,086)	(4,101)	(185,018)	(159,515)

Reconciliation of fair value of the Scheme Assets:

	2015 £000	2014 £000
Fair value of the plan assets at 1 April	101,695	95,060
Interest on assets	4,462	3,892
Return on assets less interest	9,550	4,470
Total Actuarial gains/(losses)	-	(1,442)
Administration Expenses	(47)	(15)
Employer contributions including unfunded	4,202	3,981
Contributions by scheme participants	1,037	943
Benefits paid	(5,810)	(5,194)
Fair value of the plan assets at 31 March	115,089	101,695

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 £9.5million (£4.47 million for 2013/14). The weighted average duration of the defined benefit obligation for scheme members is 17 Years (17 years in 2013/14).

Scheme History

	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000
Present Value of Liabilities	(185,018)	(159,515)	(170,417)	(150,823)	(130,136)
Fair Value of Assets	115,089	101,695	95,060	85,198	83,812
Surplus/(deficit) in the scheme	(69,929)	(57,820)	(75,357)	(65,625)	(46,324)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £69.9 million in the balance sheet has decreased the reported net worth of the Council by 16% (14% 2013/14).

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 2016 is £3.79 million. The Service Cost is expected to be £4.23 million for the year to 31 March 2016.

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 2013.

The principal assumptions used by the actuary have been:

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

	2014/15 %	2013/14 %
Equity investments	5.40	6.10
Government bonds	2.30	3.00
Other bonds	3.00	4.10
Property	4.40	5.10
Cash\Liquidity	2.00	0.50
Alternative assets	3.00	6.10

Mortality Assumptions

Longevity at 65 for current pensioners in years:

	2014/15	2013/14
Men	22.80	22.70
Women	25.20	25.10

Longevity at 65 for future pensioners in years:

	2014/15	2013/14
Men	25.10	24.90
Women	27.60	27.40

	2014/15	2013/14
Rate of Inflation RPI	3.10%	3.50%
Rate of Inflation CPI	2.20%	2.70%
Rate of Increase in Salaries	4.00%	4.50%
Rate of Increase in pensions	2.20%	2.70%
Rate for discounting scheme liabilities	3.20%	4.40%

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

	As at 31 March 2015		As at 31 March 2014	
	£000	%	£000	%
Equities	77,421	67	67,803	67
Government Bonds	5,057	4	8,096	8
Other Bonds	11,016	10	8,096	8
Property	12,500	11	11,132	11
Cash/Liquidity	2,523	2	2,024	2
Alternative Assets	6,572	6	4,048	4
Total	115,089	100	101,199	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 2013 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 2015	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	181,962	185,018	188,128
Projected service cost	4,149	4,234	4,321
<u>Adjustment to long term salary increase</u>			
Present value of total obligation	185,316	185,018	184,721
Projected service cost	4,236	4,234	4,232
<u>Adjustment to pension increases and deferred revaluation</u>			
Present value of total obligation	187,858	185,018	182,226
Projected service cost	4,320	4,234	4,150
<u>Adjustment to mortality age rating</u>	+1year	none	-1year
Present value of total obligation	178,561	185,018	191,533
Projected service cost	4,090	4,234	4,379

33. 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 2014/15 this was agreed at Full Council on 20 February 2014). 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. 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 2015, 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 criteria met on 31	Balance invested as at 31 March 2015					Total £000
		Up to 1 month £000	Between 1 and 3 months £000	Between 4 and 6 months £000	Between 7 and 12 months £000	Greater than 12 months £000	
Banks UK	YES		20,000	5,000			25,000
Banks UK	NO						0
Banks non-UK	NO						0
Total Banks		0	20,000	5,000	0	0	25,000
Building Societies	YES		6,000	1,000			7,000
Local Authorities				5,000		5,000	10,000
Money Market Funds	YES	25,500					25,500
Total		25,500	26,000	11,000	0	5,000	67,500

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. As at 31 March 2015 an amount of £2.36m had been received from the administrator which represents a little over 94% of the original investment. The latest communication, received in March states that a further dividend can be expected in August 2015 bringing the recovery rate to at least 98% of the original investment

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 March 2015 £000	Default risk judged as at 31 March 2015 %	Bad debt provision for 2014/15 £000
Sundry Debtors	5,583	45.5	2,540
Housing Arrears	1,016	56.8	577
Total	6,599		3,117

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 2015 was as follows:

		31 March 2015 £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	90,000	48.53
	Over 25 but not over 30	63,656	34.32
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 2015, 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	(150)
Impact on Surplus or Deficit on the Provision of Services	168
Share of overall impact debited/(credited) to HRA	168

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.

34. CAPITAL COMMITMENTS

There were no significant commitments at the year end.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

	Note	2014/15 £000	2013/14 £000
INCOME			
Dwelling Rents (Gross)	3	(31,585)	(30,885)
Non Dwelling Rents		(835)	(870)
Charges for Services and Facilities		(1,661)	(1,985)
Leaseholder Contributions		(179)	(170)
Revaluation of Fixed Assets	1	(16,531)	(30,544)
TOTAL INCOME		(50,791)	(64,454)
EXPENDITURE			
Repairs and maintenance	4	6,350	6,053
Supervision and Management		7,193	7,169
Rents, Rates, Taxes and Insurance		482	542
Revenue Expenditure funded from Capital under Statute		179	170
Depreciation & Amortisation	2/8/9	12,943	13,110
Revaluation of Fixed Assets	1	-	632
Debt Management		60	51
Provision for Bad / Doubtful Debts		62	16
TOTAL EXPENDITURE		27,269	27,743
NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT		(23,522)	(36,711)
HRA services share of Corporate & Democratic Core		572	572
HRA share of other services		53	44
NET COST (INCOME) OF HRA SERVICES		(22,897)	(36,095)
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(22,897)	(36,095)
Capital Grants and Contributions		(611)	-
Gain on sale of HRA non-current assets		(1,768)	(2,236)
Interest Payable and Similar Charges		5,558	5,526
Interest and Investment Income		(521)	(375)
Valuation increase Rent to Mortgages		(82)	(127)
Pensions Interest/Return on Assets		785	963
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES		(19,536)	(32,344)

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	2014/15 £000	2013/14 £000
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(19,536)	(32,344)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	10	17,949	30,468
Transfers to Earmarked Reserves	10	1,983	2,285
(Increase) or decrease in the Housing Revenue Account balance		396	409
Housing Revenue Account surplus brought forward		(2,966)	(3,375)
Housing Revenue Account surplus carried forward		(2,570)	(2,966)

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 2014	170,709	311,337	3,748	3,258	1,162	3,931	143	494,288
Restated	-	-	-	(56)	-	-	-	56
Additions	-	12,383	-	73	-	1,386	-	13,842
Disposals	(1,158)	(2,151)	-	(10)	-	-	-	(3,319)
Reclassified in Year	(242)	(440)	-	-	58	(226)	-	(850)
Revaluations Credited to the CIES	5,719	10,810	-	-	2	-	-	16,531
Revaluation Credited to the Revaluation reserve	5,622	9,011	817	-	239	550	-	16,239
Accumulated Depreciation Written Off	-	(12,439)	(134)	-	(2)	-	-	(12,575)
Gross Book Value	180,650	328,511	4,431	3,265	1,459	5,641	143	524,100
1 April 2014	-	-	-	(1,650)	(14)	(472)	-	(2,136)
Restated	-	-	-	52	-	-	-	52
Accumulated Depreciation Written Off	-	12,439	134	-	1	-	-	12,574
Reclassified	-	1	-	-	(1)	-	-	-
Depreciation in Year	-	(12,522)	(134)	(247)	(11)	(60)	-	(12,974)
Depreciation on Assets Sold	-	83	-	10	-	-	-	93
Depreciation								
31 March 2015	-	1	-	(1,835)	(25)	(532)	-	(2,391)
Net Book Value								
31 March 2015	180,650	328,512	4,431	1,430	1,434	5,109	143	521,709
Net Book Value								
1 April 2014	170,709	311,338	3,748	1,423	1,137	3,399	143	491,897

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 £1,228,150,500, based on stock figures as at 31 March 2015 and values as at 1 April 2014. 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 6,459 (6,530 in 2013/14) dwellings during 2014/15. 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.

		2014/15	2013/14
Stock as at 1 April		6,483	6,556
Less	Sales	(46)	(53)
	Stock Transfers / Conversions	(3)	(20)
	Reinstated Properties	-	(1)
Add	New Properties	1	1
Stock as at 31 March		6,435	6,483
Number of:			
Houses and Bungalows		3,467	3,489
Flats and Maisonettes		2,958	2,984
Other		10	10
		6,435	6,483

3. GROSS DWELLING RENT INCOME

During 2014/15 0.95% (0.87% in 2013/14) of all lettable dwellings were vacant. Average rents were £95.66 per week, an increase of £4.70 or 5.2% over the previous year. 50% (52% in 2013/14) of all Council tenants received some help through rent rebates in 2014/15. Rent arrears decreased to £1,015,801 (£1,094,262 in 2013/14), which represents 3.2% (3.5% in 2013/14) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £594,075 (£621,478 in 2013/14). Amounts written off during the year totalled £89,855 (£129,980 in 2013/14). 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:

	2014/15		2013/14	
	£000	£000	£000	£000
Balance as at 1 April		(2,755)		(3,508)
Contribution from the HRA	(5,000)		(5,200)	
Other Income	(86)		(100)	
Total Income		(5,086)		(5,300)
Responsive & Void Repairs	4,061		3,884	
Planned Maintenance	2,185		2,093	
Other	104		76	
Total Expenditure		6,350		6,053
Balance as at 31 March		(1,491)		(2,755)

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 2014/15; 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 £5,722,130 in respect of HRA capital receipts during 2014/15. This arose as a result of the sale of council houses (£5,030,330), sale of Leader Lodge (£652,001), receipt of a deposit in respect of a further house sale (£10,000), repayment of discounts (£18,075), sale of vehicles (£5,600) and principal repayments on mortgages (£6,124). Of this the Council used £297,785 for the housebuilding project and £59,800 for the administration of the sales which left £4,613,555 to fund other capital projects and pay the central government pool an amount of £750,990.

7. CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure.

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	11,727	Revenue	5,200
House Building and developments	1,245	Major Repairs Reserve	7,526
Disabled Adaptations	410	Capital Receipts	512
Plant, Vehicles and Equipment	73	Other Contributions	612
Intangibles	8		
Environmental Works	387		
	13,850		13,850

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:

	2014/15		2013/14	
	£000	£000	£000	£000
Balance as at 1 April		(11,359)		(9,755)
Depreciation transferred from the HRA		(12,932)		(13,098)
Used to fund Capital Expenditure on Council Dwellings	7,526		6,145	
Transferred to the HRA	5,611		5,349	
Total Expenditure		13,137		11,494
Balance as at 31 March		(11,154)		(11,359)

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 £11,000 amortisation of intangible assets. (See also note 1, page 49)

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

	2014/15 £000	2013/14 £000
AMOUNTS TO BE EXCLUDED		
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	(5,645)	(5,393)
Upward revaluation of Council Dwellings and Garages	16,531	29,930
Revenue expenditure funded from Capital under statute	(179)	(170)
Valuation changes Rents to Mortgages	82	127
Gain/(loss) on disposal of HRA fixed assets	1,768	2,236
Flexi / Leave Accruals	(22)	(4)
HRA share of contributions to/ (from) pensions reserve	(1,920)	(2,139)
	10,615	24,587
AMOUNTS TO BE INCLUDED		
Leaseholder Contributions	179	170
Employers contributions payable to the pension fund	1,344	1,274
Capital Expenditure funded by the HRA	5,200	4,200
Capital Contributions Applied	611	237
	7,334	5,881
Net Increase or (Decrease) before Transfers to/from Reserves	17,949	30,468
TRANSFERS (TO)\FROM EARMARKED RESERVES		
Housing Repairs Fund	(1,264)	(753)
Self Financing Reserve	3,180	3,180
Service Enhancement Fund	67	(58)
Insurance Fund	-	(84)
	1,983	2,285
	19,932	32,753

11. SETTLEMENT PAYMENTS DETERMINATION 2012 (HRA SELF-FINANCING)

On 28 March 2012 the Council borrowed £185,456,000 from the Public Works Loan Board in order to pay an equivalent amount over to the Department for Communities and Local Government. This payment was the amount prescribed as payable on the cessation of the HRA Subsidy regime on 31 March 2012. This amount is shown as long term loans on the Balance Sheet.

12. 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 2015 was £9.54m. Self financing has meant additional funds have become available for HRA expenditure, as a result a programme of service enhancements and improvements have been agreed by the Council. It was agreed that any unspent monies allocated in 2014/15 should be carried forward within the fund for use in future accounting periods. The value of this carry forward at the end of the financial year was £67,000.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

		Council Tax	Non Domestic Rates	Collection Fund Total	Council Tax	Non Domestic Rates	Collection Fund Total
	Note	2014/15 £000	2014/15 £000	2014/15 £000	2013/14 £000	2013/14 £000	2013/14 £000
INCOME							
Council Tax	1	(77,659)	-	(77,659)	(76,662)	-	(76,662)
Non Domestic Rates	2	-	(34,476)	(34,476)	-	(32,979)	(32,979)
TOTAL INCOME		(77,659)	(34,476)	(112,135)	(76,662)	(32,979)	(109,641)
EXPENDITURE							
Precepts and Demands:							
Essex County Council		55,076	3,039	58,115	54,521	2,871	57,392
Essex Police		7,312		7,312	7,098		7,098
Essex Fire Authority		3,366	338	3,704	3,332	319	3,651
Epping Forest District Council		10,617	13,507	24,124	10,453	12,759	23,212
Distribution of Estimated Collection Fund Surplus/(Deficit).							
	3						
Essex County Council		225	(129)	96	57	-	57
Essex Police		29	-	29	7	-	7
Essex Fire Authority		14	(14)	-	4	-	4
Epping Forest District Council		43	(572)	(529)	11	-	11
Non Domestic Rate							
Payment to Central Government		-	16,883	16,883	-	15,949	15,949
Repayment of Deficit		-	(715)	(715)	-	-	-
Transitional Protection		-	8	8	-	42	42
Cost of Collection Allowance		-	173	173	-	171	171
Provision for Appeals			1,931	1,931		1,486	1,486
Provision for Non Payment		669	262	931	280	(30)	250
Write Offs		(877)	(173)	(1,050)	159	397	556
TOTAL EXPENDITURE		76,474	34,538	111,012	75,922	33,964	109,886
DEFICIT / (SURPLUS) FOR YEAR		(1,185)	62	(1,123)	(740)	985	245
BALANCE BROUGHT FORWARD		(855)	985	130	(115)	-	(115)
BALANCE CARRIED FORWARD		(2,040)	1,047	(993)	(855)	985	130

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: 50,679 for 2014/15, 50,169 for 2013/14). The basic amount of Council Tax for a Band D property (£1,446.21 for 2014/15, £1,443.42 for 2013/14) 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	1,609	1,395	2/3	930
Band B	4,792	3,989	7/9	3,103
Band C	11,180	10,018	8/9	8,905
Band D	13,569	12,569	1	12,569
Band E	9,249	8,684	1 2/9	10,614
Band F	6,632	6,307	1 4/9	9,110
Band G	5,722	5,508	1 2/3	9,180
Band H	1,108	1,080	2	2,160
Total Band D				56,571
Less Band D equivalents entitled to Council Tax Support				5,015
Total Band D equivalents				51,556
Less Adjustment for Collection Rate				876
Council Tax Base				50,679

The income of £77,658,884 for 2014/15 (£76,662,113 for 2013/14) is receivable from the following sources.

	2014/15 £000	2013/14 £000
Billed to Council tax payers	77,758	76,804
Council Tax Benefits paid/(clawed back)	(99)	(142)
	77,659	76,662

2. NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 47.1p (small business) and 48.2p (others) in 2014/15, (46.2p (small business) 47.1p (others) in 2013/14) 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 came in 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 2014/15 this Council paid a tariff of £10,038,000 (£9,846,000 in 2013/14) which is a charge to the General Fund.

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.

The total non-domestic rateable value at the year-end was £86,715,049 (£86,726,349 in 2013/14).

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 and the other Major Precepting Authorities. 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.

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 2011, 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 (2010).

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 ended 31 March 2015 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 2014/15 were:
1	A corporate plan covering 2011-2015, 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
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, Director of Communities, 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, refreshed in 2014-15, along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti money laundering policies
15	Contribution to the delivery of the Sustainable Community Strategy for the District through active participation on One Epping Forest, formerly the Local Strategic Partnership, and the alignment of the Key Themes of the Corporate Plan 2011/15 with the Community Strategy.

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.

- Directors' governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;
- Documentary evidence of processes, procedures and standards:
- The development throughout 2014/15 of a framework to support counter fraud and corruption and processes and procedures to enable action to prevent, detect and investigate fraud, which will culminate in the creation of a Corporate Fraud Investigation Team as from 1 April 2015.

- 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, particularly in the key financial systems;
- The work undertaken by the External Auditor reported in their annual audit letter and other review reports;
- Significant governance issues from previous years;
- Significant governance Issues from 2014/15.

In the Annual Governance Statement for 2013/14 we reported two significant governance issues relating to ICT Procurement and Car Parking Income. The ICT Procurement issue had been resolved by the time that statement was published while the Car Parking Income was partly resolved but further work was required.

In preparing this statement and reviewing the effectiveness of the council’s governance arrangements, we have identified areas for improvement which are set out in the table below, together with the steps to be taken to address them.

No.	Issue	Action to be taken
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 will greatly improve the monitoring of the pay and display income received. The installation of these new machines is scheduled to start early in 2015/16</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 had 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 reconciliation had been completed by 7 August 2014. Rental Income reconciliations are now 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>Contract Standing Orders have been developed over time and can be difficult to follow, therefore, a Contract Standing Orders Working Party, chaired by the Director of Communities, has been set up to undertake a fundamental review of the Council’s Contract Standing Orders. The group is making substantial progress and the new Contract Standing Orders (subject to Member approval) will provide a more flexible approach and more responsive to the current and future procurement needs of the Council and will be widely communicated across the organisation 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>In light of concerns, the Corporate Debt Working Group, chaired by the Assistant Director Revenues, continues to oversee the implementation of recommendations made to the Management Board in February 2015.</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 £316,274 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	7,600	W.S.BREARE-HALL	10,174
P.SMITH	818	T.O.COCHRANE	477
D.J.STALLAN	10,675	J.HART	477
D.J.JACOBS	550	Y.R.KNIGHT	5,762
A.G.GRIGG	9,941	S.I.WATSON	3,400
S.W.MURRAY	5,550	L.T.LEONARD	537
J.M.WHITEHOUSE	3,400	R.COHEN	477
M.A.MCEWEN	3,400	S.JONES	5,762
J.KNAPMAN	3,400	R.KELLY	250
C.L.WHITBREAD	18,902	K.AVEY	750
J.H.WHITEHOUSE	3,497	P.KESKA	3,400
U.M.GADSBY	3,400	A.MITCHELL	3,400
P.GODE	3,400	G.WALLER	11,023
M.SARTIN	7,457	H.BRADY	3,552
J.M.HART	6,678	G.CHAMBERS	5,132
J.LEA	5,550	A.J.CHURCH	5,132
C.P.POND	3,595	L.GIRLING	3,400
B.P.SANDLER	5,762	H.KANE	8,656
S.A.STAVROU	10,548	H.MANN	3,482
K.ANGOLD-STEPHENS	4,130	G.SHEILL	3,400
K.S.CHANA	3,400	T.THOMAS	3,717
G.MOHINDRA	3,400	N.WRIGHT	3,400
P.J.SPENCER	599	K.M.ADAMS	1,752
L.A.WAGLAND	3,400	R.GLOZIER	2,199
J.A.WYATT	824	D.COOPER	250
B.A.ROLFE CHAIRMAN	3,400	R.BUTLER	3,400
R.BASSETT	10,953	A.JARVIS	500
A.WATTS	5,550	C.C.POND	2,911
H.ULKUN	4,637	R.JENNINGS	3,011
E.A.WEBSTER	7,382	L.MEAD	2,911
A.L.BOYCE	11,238	C.ROBERTS	2,911
J.PHILIP	9,074	D.DORRELL	2,911
D.J.WIXLEY	3,548	S.NEVILLE	2,911
S.A.LYE	250	B.SURTEES	3,296
R.THOMPSON	500	H.KAUFFMAN	2,911
D.JACKMAN	250	E.WESTON	2,911
A.LION	9,074		
Total	195,732	Total	120,542
		Grand Total	316,274

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.