

Supplementary Council Agenda



**Epping Forest
District Council**

Council Thursday, 28th July, 2005

Place: Civic Offices, Epping
Room: Council Chamber
Time: 7.30 pm
Committee Secretary: Council Secretary: Ian Willett
Tel: 01992 564243 Email: iwillett@eppingforestdc.gov.uk

7.1 Statutory Statement of Accounts - 2004/05 - Revised Statement (Pages 3 - 76)

The Statement contained within the original agenda contained a number of errors that have now been corrected. Members are asked to bring this revised statement to the Council meeting.

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***STATUTORY STATEMENT
OF ACCOUNTS***

***Financial Year
Ending 31 March 2005***

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STATUTORY STATEMENT OF ACCOUNTS 2004/05

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INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

Unfortunately 2004/05 was another year of significant change for the grant allocation system. The Government had introduced a new system from 2003/04 based on Formula Spending Shares (FSS) and it was hoped that this would be the start of a period of stability, and that Local Authorities would be able to plan for the future with more certainty. The settlement for 2004/05 involved major changes to the funding of Council Tax Benefit and Rent Allowances. These items are now funded 100% through special grant from the Department for Work and Pensions. The effect of this change had not been properly allowed for and the Chancellor of the Exchequer had to provide additional funding, the details of which were released on 11 December. These revised figures showed an increase of 3.05% in grant to £7.09m. However, this increase was calculated on an adjusted grant figure for 2003/04 of £6.88m (original grant figure £7.71m) and the validity of the assumptions made in calculating the adjusted figure are somewhat questionable.

The Financial Statements for 2004/05 are the second set to have been prepared to fully comply with the requirements of Financial Reporting Standard 17 (FRS17). A detailed account of the effect of the changes introduced by FRS17 was given last year. One point worth re-iterating is that in terms of the revenue account, that (in a similar way to capital charges) these entries are reversed so as to have a nil net effect on the level of council tax and housing rents. On the Balance Sheet authorities are now required to include their share of any pension fund surplus or deficiency. Note 21 (page 30) to the Consolidated Balance Sheet shows that the deficiency relating to this Council has increased from £24.7 million as at 31 March 2004 to £38.1 million as at 31 March 2005. In total this gives an increase of £13.4 million, although some £11 million of this was due to a change in the assumptions used by the actuary. The inclusion of this amount in the Balance Sheet shows the extent of the authorities liability if the pension fund was to close on 31 March 2005. It does not mean there is a liability that will have to be paid over to the pension fund in the near future.

Ongoing funding requirements are determined by triennial valuations, which aim to reduce deficiencies in the long term. The results of the March 2004 triennial valuation have been received and require our annual deficit contribution to more than double from £823,000 in 2004/05 to £1,674,659 in 2005/06, with further smaller increases in 2006/07 and 2007/08. In anticipation of this increase £2.5 million was moved to a Pension Deficit Reserve in the Financial Statements for 2003/04. This was done in order to minimise the effect of these additional contributions on the council tax. In order to charge the additional contributions to this capital reserve a capitalisation direction is required and I am pleased to report that it has been possible to obtain one from the Office of the Deputy Prime Minister for 2005/06.

Our debt free status has been rewarded in 2004/05, as debt free authorities have benefited from transitional relief from the Governments pooling requirements for capital receipts. This benefit was worth £3.2 million in 2004/05, but will reduce in subsequent years as the percentage eligible for relief reduces from 75% to 50% and finally 25% in the final year of the scheme in 2007/08.

The year-end position is generally better than was anticipated when the revised estimates were set. A predicted General Fund surplus of £453,000 has increased to £1,026,000, whilst, after allowing for increased contributions to capital outlay, the Housing Revenue Account has achieved a surplus some £368,000 better than the revised estimate. 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 2004/05.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2004/05.

| | Original Estimate £000 | Revised Estimate £000 | Actual Expend £000 | Variance from Original £000 | Variance from Revised £000 |
|---|---------------------------|--------------------------|-----------------------|--------------------------------|-------------------------------|
| General Fund | | | | | |
| Net Expenditure after Adjustments | 13,858 | 13,306 | 12,733 | (1,125) | (573) |
| Government Grants and Local Taxation | 13,759 | 13,759 | 13,759 | - | - |
| Use of/(Contribution to) Balances | 99 | (453) | (1,026) | (1,125) | (573) |
| Opening Balances – 1/4/04 | 4,462 | 4,462 | 4,462 | - | - |
| Use of/(Contribution to) Balances | 99 | (453) | (1,026) | (1,125) | (573) |
| Closing Balances – 31/3/05 | 4,363 | 4,915 | 5,488 | (1,125) | (573) |

Net expenditure for 2004/05 totalled £12.73 million, which was £1,125,000 (8.1%) below the original estimate and £573,000 (4.3%) below the revised. When compared to a gross expenditure budget of approximately £60 million, the variances can be restated as 1.9% and 1.0% respectively.

An analysis of the changes between CSB and DDF expenditure illustrates where the main variances in revenue expenditure have occurred.

| | Original Estimate £000 | Revised Estimate £000 | Actual Expend £000 | Variance from Original £000 | Variance from Revised £000 |
|---|---------------------------|--------------------------|-----------------------|--------------------------------|-------------------------------|
| General Fund | | | | | |
| Opening CSB | 14,595 | 14,297 | 13,337 | (1,258) | (960) |
| In Year Growth | 578 | 389 | 141 | (437) | (248) |
| In Year Savings | (1,422) | (1,427) | (1,248) | 174 | 179 |
| Total Continuing Services Budget | 13,751 | 13,259 | 12,230 | (1,521) | (1,029) |
| DDF – Expenditure | 1,152 | 1,987 | 1,292 | 140 | (695) |
| DDF – One Off Savings | (647) | (1,096) | (892) | (245) | 204 |
| Total DDF | 505 | 891 | 400 | (105) | (491) |
| Appropriations | (398) | (844) | 103 | 501 | 947 |
| Net Expenditure | 13,858 | 13,306 | 12,733 | (1,125) | (573) |

Continuing Services Budget

CSB expenditure was £1,521,000 lower than the original estimate and £1,029,000 lower than the revised. The variances have arisen on both the opening CSB, £960,000 lower than the revised estimate and the in year figures, £69,000 lower than the revised estimate.

Most of the savings on the opening CSB relate to staff savings due to vacancies. Actual salary spending for the authority in total, including agency costs, was some £18.3 million compared against an original estimate of £19.4 million. There have been some offsetting variances, most notably Development Control Fees which fell some £90,000 short of expectations.

The saving on the in year CSB arose primarily from additional investment income, which was more than £300,000 greater than the revised estimate. This was offset by higher than anticipated spending on rent rebates (£152,000) and lower than anticipated income from Leisure (£86,000) and Local Land Charges (£76,000). Income in all of the three areas mentioned above will be closely monitored in 2005/06 to see if these results are part of a trend that future budgets need to be adjusted for.

District Development Fund

Net DDF expenditure was £105,000 below the original estimate and £491,000 below the revised. However given that there are requests for carry forwards totalling £479,000 the £491,000 variation actually equates to a £12,000 net underspend 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 increased between the Original and Revised position by some £386,000, this was due to a mixture of items brought forward from 2003/04 and new items identified during 2004/05. In previous years unspent DDF has simply been rolled forward into the next financial year but the programme was re-evaluated in 2004/05 in an attempt to show items in the years when expenditure was likely to be incurred.

The main area of underspend was Corporate Support Services where the actual spend was £134,000 compared to a revised estimate of £325,000, a net difference of £191,000. The major areas of slippage were Legal Services and ICT, in both services the cumulative underspend was £66,000. Other Portfolios also showed significant underspends most notably Finance and Performance Management and Planning and Economic Development.

Since the Revised Estimate an additional amount has been added to the DDF. An authority unable to offset its commutation adjustment against its minimum revenue provision can apply for a capitalisation direction. As a debt free authority we no longer make a minimum revenue provision and so a capitalisation direction has been sought for the whole of the commutation adjustment, confirmation of the direction is still awaited from the ODPM. No decision has been taken on future years commutation adjustments and as the capitalisation direction is still subject to confirmation, it is appropriate to treat this £346,000 as a one off sum and put it into the DDF.

The inclusion of the commutation adjustment and the large underspend mean the balance on the DDF has increased to £2.46 million. Much of this amount is committed to finance the present programme of DDF expenditure.

Appropriations

The only significant variations on appropriations arise from the underspend on the DDF and the inclusion of the amount for the commutation adjustment mentioned above.

Housing Revenue Account

The table below summarises the revenue outturn for the Housing Revenue Account.

| Housing Revenue Account | Original Estimate £000 | Revised Estimate £000 | Actual Expend £000 | Variance from Original £000 | Variance from Revised £000 |
|----------------------------------|-----------------------------------|----------------------------------|-------------------------------|--|---------------------------------------|
| Revenue Expenditure | 11,443 | 11,351 | 11,309 | (134) | (42) |
| HRA Subsidy Payable | 7,554 | 7,554 | 7,556 | 2 | 2 |
| Asset Rentals | 19,096 | 27,969 | 31,643 | 12,547 | 3,674 |
| Total Expenditure | 38,093 | 46,874 | 50,508 | 12,415 | 3,634 |
| Gross Dwelling Rents | 20,016 | 20,261 | 20,305 | (289) | (44) |
| Other Rents and Charges | 3,561 | 3,631 | 3,804 | (243) | (173) |
| Total Income | 23,577 | 23,892 | 24,109 | (532) | (217) |
| Net Cost of Service | 14,516 | 22,982 | 26,399 | 11,883 | 3,417 |
| Interest and Other Transfers | 1,137 | 1,147 | 1,086 | 51 | 61 |
| Reversal of Asset Rentals | 14,594 | 23,467 | 27,156 | (12,562) | (3,689) |
| Net Operating Income | (1,215) | (1,632) | (1,843) | (628) | (211) |
| Appropriations | | | | | |
| Capital Expenditure | - | 50 | 950 | 950 | 900 |
| Charged to Revenue | | | | | |
| Other | 110 | (255) | (412) | (522) | (157) |
| Surplus for Year | (1,105) | (1,837) | (1,305) | (200) | 532 |
| Opening Balance – 1/4/04 | 3,529 | 3,529 | 3,529 | - | - |
| Surplus for year | (1,105) | (1,837) | (1,305) | (200) | 532 |
| Closing Balance – 31/3/05 | 4,634 | 5,366 | 4,834 | (200) | 532 |

The surplus within the HRA was £200,000 greater than its original revenue budget, but some £532,000 less than the revised estimate. The main difference between the actual figures and the revised estimates was the additional £900,000 of Revenue Contribution to Capital Outlay (RCCO). This was necessary as the receipts generated from the sale of Council houses in 2004/05 were £1.3 million lower than anticipated. This additional revenue cost was partially offset by savings on heating, grounds maintenance and salaries.

The asset rentals charged to the HRA and the associated “below the line” reversal are based on the value of the dwellings and as a result any change in dwelling values has a direct impact on these charges. The actual charge was some £12.5 million higher than the original estimate, however as can be seen above the variation has no net impact on the HRA.

Housing Subsidy is now a payable rather than a receivable item. However, the variance on subsidy this year between original, revised and actual was minimal.

Dwelling rents were higher than anticipated due to low void levels and the reducing number of Council house sales. Other rents and charges also exceeded estimates, due mostly to increased commercial property rents.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2004/05.

| Capital Expenditure and Financing | Original Estimate £000 | Revised Estimate £000 | Actual Expend £000 | Variance from Original £000 | Variance from Revised £000 |
|--|-----------------------------------|----------------------------------|-------------------------------|--|---------------------------------------|
| Non-Housing | 2,523 | 2,611 | 1,211 | (1,312) | (1,400) |
| Housing | 4,778 | 9,922 | 9,631 | 4,853 | (291) |
| Total Expenditure | 7,301 | 12,533 | 10,842 | 3,541 | (1,691) |
| Grants | 940 | 820 | 451 | (489) | (369) |
| Capital Receipts | 5,562 | 6,511 | 3,704 | (1,858) | (2,807) |
| Revenue Contributions | 1,156 | 5,024 | 7,584 | 6,428 | 2,560 |
| Net Movement in Creditors | (357) | 178 | (897) | (540) | (1,075) |
| Total Financing | 7,301 | 12,533 | 10,842 | 3,541 | (1,691) |

The table identifies a net underspend of £1,691,000, some of which has been established as genuine savings. However, the majority represents slippage and expenditure has therefore currently been re-phased into 2005/06. The main areas of slippage relate to ICT, Loughton Leisure Centre and traffic schemes.

The reduction in the generation of capital resources through the sale of Council Houses was mentioned in the HRA section above. Receipts of £5.5 million were £1.3 million lower than anticipated with 61 sales at an average discounted value of £89,700. This compares to the 2003/04 figure of gross receipts totalling £11.35 million from 139 properties. Other receipts were in line with expectations.

THE FUTURE

The Government has promised further significant changes to the funding system, with all local authorities receiving three-year budgets from April 2006. This should help provide more certainty for financial planning. However, more information is still awaited on both the system of floors and ceilings and the balance of funding review. Currently floors and ceilings are used to prevent authorities grant either increasing or decreasing significantly in any one year. The Government has stated that this system is not sustainable in the long term but has not indicated how it will be phased out. Withdrawal of the floor could cost this authority as much as £400,000 p.a.

Unfortunately the Government's Balance of Funding review achieved very little. The review concluded that:

"A shift in the balance of central and local funding of local government would give local authorities more funding flexibility by reducing the impact of the gearing problem on their decisions about council tax levels."

However, the Government was not prepared to take any action on this and instead appointed Sir Michael Lyons to conduct another review which is due to report by the end of 2005. The schemes under consideration still include reforming the Council Tax, returning National Non-Domestic Rates to local control and the introduction of a local income tax. It is hoped that some action will result from the Lyons Inquiry to address the gearing effect, which the Government has acknowledged as clouding the accountability and transparency of local spending decisions.

The Council is in a very challenging period, as 2005/06 will see the loss of the Highways Agency to Essex County Council and four leisure centres may come under external management. This creates challenges for both the staff involved and those trying to plan the Council's finances. A significant new financial threat appeared in the Chancellor's budget statement on 16 March 2005. The minimum requirements under the Transport Act 2000 will be increased from 1 April 2006 so that older and disabled people will be able to travel free in their local areas, instead of at half fare. Detail is still awaited from the ODPM on how the funding mechanism for this change will work and in particular the extent of protection for floor authorities. One area of uncertainty that has now been resolved is future insurance premiums, as a new long-term agreement has been entered into.

Given the uncertainties above it is clear that although the General Fund revenue balances are higher than was anticipated they still need to be carefully managed to safeguard the future of the Council. Consuming balances has the effect of reducing income generated by their investment and the withdrawal of their usage as a subsidy, has the effect of increasing council tax. This is a process that Members have managed extremely carefully to date. Members have regularly considered what is an appropriate level of balance at which to stabilise. The current policy stipulates that the balances should not go below 25% of net budget requirement. This would allow the balances to fall to approximately £3.85m if budget projections are to increase in line with expectations: the net budget requirement is expected to have reached £15.4m by 2008/09. The current balance stands at just under £5.5 million.

An updated five-year forecast for the Housing Revenue Account is currently being prepared. It is anticipated that even after allowing for substantial Revenue Contributions to Capital Outlay from 2005/06 to 2009/10 the HRA will still have a healthy balance at 1 April 2010. The capital programme for the HRA has been adjusted to reflect the reduced levels of Council house sales, and hence the reduced level of transitional receipts available. Under the pooling arrangements, in place from 1 April 2004, for housing capital receipts debt free authorities have the benefit of transitional arrangements for three years. These transitional arrangements now look likely to provide an additional £5.5 million over the three years 2004/05 to 2006/07, as opposed to the £8.9 million that had been originally forecast. There is still a considerable capital programme for the HRA and the next four years will see a spend of £26 million. It is anticipated that the financial strength of the HRA should allow the Decent Homes Standard to be achieved ahead of the Government target of 2010. This supports the decision by Members that retention was the most appropriate stock option.

The four-year programme of non-housing capital investment totals £12.6 million. Civil Engineering and Maintenance has the largest programme, with some £5.3 million being spent. The Loughton Leisure Centre final account should be agreed in 2005/06 and £1.4 million has been allowed for this. The other major projects in the programme include IT investment of £2 million and Bobbingworth Tip, which has over £900,000 allocated.

The Council continues to produce a four-year revenue and capital financial plan for both its General Fund and Housing Revenue Accounts. This enables the Members to set an annual budget within clear parameters set for the medium term. This process has served us well in the past and continues to ensure the Council remains in a sound financial position well placed to deal with the unforeseen in a considered and structured fashion.

Robert Palmer BA ACA
Head of Finance

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2004. The Code of Practice has been developed by the CIPFA/LASAAC Joint Committee in accordance with the Accounting Standards Board's code of practice for the development of Statements of Recommended Accounting Practice (SORPs).

The Code of Practice is based on approved accounting standards and the Urgent Issue Task Force's Abstracts extant at 30 September 2002, except where these are inconsistent with specific statutory requirements, and supersedes previous Codes of Practice. The Code of Practice constitutes a 'proper accounting practice' under the terms of section 66(4) of the Local Government and Housing Act 1989.

This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

2. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides for more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Fixed assets were originally valued and recorded in the accounts as at 1 April 1994. These valuations were based upon certificates issued by the Council's Chief Valuer and Estates Surveyor. Additions since that date are included in the accounts at cost. Capitalised expenditure that does not add value to the asset has been debited to the fixed asset restatement reserve. The Council has a rolling programme of revaluations under which all assets will be revalued over five years. Where a loss in value occurs as a result of physical damage or similar impairment, this is reflected in an increased charge to the service revenue account. A loss in value from other impairments, such as obsolescence or decline in Market value, is taken to the fixed asset restatement reserve.

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). Infrastructure assets, community assets and assets that are surplus to requirements are included in the balance sheet at written down historical cost. Council dwellings have been included in the balance sheet at their open market value in existing use.

Where assets are acquired under 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 4, Page 14).

Where a fixed asset has been disposed of, income derived is credited to the usable capital receipts reserve, and accounted for on an accruals basis. Where applicable, the proportion reserved for the repayment of external loans is credited to the capital financing reserve. Upon disposal, the net book value of the asset is written off against the fixed asset restatement account. (See Note 10, Page 25).

STATEMENT OF ACCOUNTING POLICIES

3. DEPRECIATION

In accordance with the provisions of FRS15, assets are depreciated on a straight-line basis over their useful economic life. The only general exceptions to this are freehold land and non-operational investment properties. 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.

4. INTANGIBLE ASSETS

Intangible Assets are payments of a capital nature where no fixed asset is created but which may properly be capitalised over a period of years, such as improvement and reinstatement grants. However, the practice of creating intangible assets to represent advances for which there is no longer an asset was discontinued in 1994/95. Existing intangible assets relating to those reinstatement grants financed by the Authority but which remain to be met from Government Grant are amortised to revenue over an appropriate period to match the inflow of Government Grant. All new deferred charges will be amortised to revenue in the year of expenditure.

5. BASIS OF CHARGES FOR CAPITAL

Asset charges are made to users at the minimum level required under the Accounting Code of Practice. Such charges cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet. Currently this rate is 3.5%. The charge met by the Housing Revenue Account is an amount determined by statutory provision.

External interest payable and the provision for depreciation are charged to the asset management revenue account. This account is also credited with the capital charges charged to services. Capital charges therefore have no impact on the amounts the Council needs to raise from local taxation or tenants rents.

Amounts set aside from revenue:

- to repay external loans
- to finance capital spending, or
- as transfers to other earmarked reserves

are disclosed as appropriations, within the Consolidated Revenue Account, after net operating expenditure.

6. CAPITAL EXPENDITURE CHARGED TO REVENUE

The Local Government and Housing Act 1989 allows local authorities to finance an unlimited amount of capital expenditure through its revenue accounts. The Council's policy has been to finance a significant amount of Housing Revenue Account capital expenditure in this way.

7. INVESTMENTS

Investments are shown in the Consolidated Balance Sheet at cost.

STATEMENT OF ACCOUNTING POLICIES

8. STOCKS AND STORES

Separate stores are maintained in the Fleet Operations and Building Maintenance Services and Leisure Centres. Stores are valued in the accounts at the lower of cost or net realisable value.

9. 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 SSAP 2. 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. An exception to this principle relates to electricity and similar periodic receipts and payments which are charged at the date or meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

The recoverability of the Authority's General Fund debts is considered each year through an analysis by age and type of debts outstanding at 31 March. An appropriate provision is made for any bad debts / losses that are anticipated. An analysis of size and type of debts outstanding at 31 March on the Housing Revenue Account has also been undertaken in accordance with the Housing Revenue Accounts (Arrears of Rent and Charges) Directions 1990.

10. GOVERNMENT GRANTS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other capital contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset, to match the depreciation of the asset to which it relates. (See Note 8, Page 24.) Grants and contributions towards deferred charges are written out directly against the relevant deferred charge within the revenue account. Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals have been made for balances known to be receivable for the year to 31 March 2005.

11. 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.

12. PROVISIONS

The Council sets aside provisions for specific future expenses or losses, which are likely or certain to be incurred, but uncertain as to the amount or the dates on which they will arise. There is now only one provision currently charged to the Council's revenue accounts. This being the provision for bad and doubtful debts with future related losses or liabilities being charged direct to the provision. (See also Note 4, Page 23).

STATEMENT OF ACCOUNTING POLICIES

13. RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves. They include reserves for the District Development Fund, pensions deficit, debenture, 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 fund balances and reserves are reviewed periodically as to their size and appropriateness.

From 1 April 1994, the introduction of the system of capital accounting has required the establishment of two new capital reserve accounts in the consolidated balance sheet: the fixed assets restatement reserve, which represents the balance of the surplus or deficits arising on the periodic revaluation of fixed assets; and the capital financing reserve, which represents amounts set aside from revenue resources or capital receipts and grants to finance expenditure on fixed assets or for the repayment of external loans. (See also Notes 10/11/14/15, Pages 25/26/28/29)

14. PENSION COSTS

From 1 April 2003 accounting policies relating to pensions represent a change to those applied in previous years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which the council was directly responsible. The new policies better reflect the commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods.

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 2.24% lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 2.65% lower than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 5.21%

15. INTERNAL INTEREST

Interest is credited to the Housing Revenue Account based in the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the Housing Revenue Account Item 8 Credit and Item 8 Debit (general) Determinations 2004/05.

THE GENERAL FUND REVENUE ACCOUNT - SUMMARY

| DISTRICT EXPENSES | Note | 2004/05 | | | 2003/04 |
|--|------|----------------------|----------------|--------------------|--------------------|
| | | Gross Expend £000 | Income £000 | Net Expend £000 | Net Expend £000 |
| Central Services | 4/5 | 10,851 | 7,917 | 2,934 | 3,611 |
| Cultural Related | 3 | 8,001 | 3,090 | 4,911 | 4,360 |
| Environmental Services | | 6,362 | 973 | 5,389 | 5,313 |
| Highways and Transport | | 3,389 | 1,958 | 1,431 | 1,254 |
| Housing | | 23,566 | 22,160 | 1,406 | 1,688 |
| Planning & Development | 1 | 3,982 | 1,521 | 2,461 | 2,051 |
| Social Services | | 0 | 0 | 0 | 0 |
| NET COST OF SERVICES | | 56,151 | 37,619 | 18,532 | 18,277 |
| Total Net (Surplus) / Deficit from Trading Operations | 2 | | | (695) | (740) |
| Transfer from HRA | | | | (110) | 0 |
| Pensions Interest/Return on Investments | | | | 787 | 1,283 |
| Asset Management Revenue Account | | | | (3,675) | (2,409) |
| Interest and Investment Income | | | | (31) | (26) |
| TOTAL NET OPERATING EXPENDITURE | | | | 14,808 | 16,385 |
| Transfers to / (from) DDF Reserves | | | | 56 | 621 |
| Transfers to / (from) Capital Reserves | | | | (1,892) | (1,512) |
| Transfers to / (from) Other Reserves | | | | 150 | (865) |
| FRS 17 Adjustment | | | | (389) | (789) |
| AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS | | | | 12,733 | 13,840 |
| Receipts from the Collection Fund | | | | (6,691) | (6,433) |
| Transfers to / (from) the Collection Fund | | | | 23 | (20) |
| Revenue Support Grant | | | | (3,786) | (3,489) |
| Distribution from the Non-Domestic Rate Pool | | | | (3,305) | (4,221) |
| (SURPLUS) / DEFICIT FOR YEAR | | | | (1,026) | (323) |
| BALANCE BROUGHT FORWARD | | | | (4,462) | (4,139) |
| (Surplus) / Deficit for Year | | | | (1,026) | (323) |
| BALANCE CARRIED FORWARD | | | | (5,488) | (4,462) |

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NOTES TO THE GENERAL FUND REVENUE ACCOUNT

1. BUILDING CONTROL CHARGES

The Council has the ability to set its own scale of charges to recover the proper costs of its Building Control function, under the Building Control Charges regulations. However the Council must not set charges that are designed to make a profit. The gross income and expenditure figures are included under Planning and Development. The surplus has been taken to the Building Control Charging Account.

| | 2004/05 £000 | 2003/04 £000 |
|--------------------------|-------------------------------|-------------------------------|
| Income | 543 | 513 |
| Expenditure | 623 | 460 |
| (Deficit)/Surplus | (80) | 53 |

2. TRADING OPERATIONS

The following gross income and expenditure figures are included under the appropriate service area. The expenditure figures include capital financing charges of £387,787 (*£353,164 in 2003/04*) for Industrial Estates and £330,516 (*£340,369 in 2003/04*) for the North Weald Centre.

| | 2004/05 £000 | 2003/04 £000 |
|---------------------------------------|-------------------------------|-------------------------------|
| Industrial Estates & Other | | |
| Income | 954 | 942 |
| Expenditure | 487 | 456 |
| Surplus | 467 | 486 |
| North Weald Centre | | |
| Income | 1,192 | 1,210 |
| Expenditure | 964 | 956 |
| Surplus | 228 | 254 |
| Total Surplus | 695 | 740 |

3. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended by the Local Government Act 2000) enables this Local Authority to spend up to £229,830 for the benefit of people in their area on activities or projects not specifically authorised by other powers. Expenditure amounts to £160,426 in 2004/05 (*£94,859 in 2003/04*). This was expended on grant aid and youth strategy work.

NOTES TO THE GENERAL FUND REVENUE ACCOUNT

4. PUBLICITY ACCOUNT

Under Section 5 of the Local Government Act 1986, all authorities are required to maintain a memorandum publicity account where expenditure exceeds £3,000. The expenditure on publicity incurred in 2004/05 is shown below.

| | 2004/05 £000 | 2003/04 £000 |
|---|-------------------------------|-------------------------------|
| General Advertising | 103 | 68 |
| Recruitment Advertising | 196 | 175 |
| Council Website | 100 | 80 |
| Other Publicity – including the Council's Forester Magazine | 107 | 111 |
| Total | 506 | 434 |

5. AUDIT COMMISSION FEES

The following audit fees have been paid to the Audit Commission

| | 2004/05 £000 | 2003/04 £000 |
|---|-------------------------------|-------------------------------|
| External audit services in accordance with section 5 of the Audit Commission Act 1998 | 115 | 235 |
| Statutory inspection under section 10 of the Local Government Act 1999 | 1 | 3 |
| Certification of grant claims and returns under section 28 of the Audit Commission Act 1998 | 62 | 53 |
| Total | 178 | 291 |

THE HOUSING REVENUE ACCOUNT - SUMMARY

| | Note | 2004/05 £000 | 2003/04 £000 |
|--|-------|-----------------|-----------------|
| INCOME | | | |
| Dwelling Rents (Gross) | 3 | 20,305 | 19,698 |
| Non Dwelling Rents | | 2,297 | 2,219 |
| Charges for Services and Facilities | | 1,507 | 1,422 |
| Housing Revenue Account Subsidy Receivable | 4 | 0 | 1,303 |
| TOTAL INCOME | | 24,109 | 24,642 |
| EXPENDITURE | | | |
| Supervision and Management | | 5,787 | 5,389 |
| Contribution to Housing Repairs Fund | 5 | 5,000 | 4,500 |
| Housing Revenue Account Subsidy Payable | 4 | 7,556 | 0 |
| Rents, Rates, Taxes and Insurance | | 375 | 366 |
| Rent Rebates | 3 | 0 | 9,974 |
| Cost of Capital Charge | 8 | 23,570 | 20,231 |
| Depreciation | 2/6/8 | 8,073 | 7,213 |
| Debt Management | | 40 | 38 |
| Provision for Bad / Doubtful Debts | | 107 | 108 |
| TOTAL EXPENDITURE | | 50,508 | 47,819 |
| NET COST OF SERVICES | | 26,399 | 23,177 |
| Asset Management Revenue Account | 8 | (23,586) | (20,247) |
| Interest on Mortgages | | (36) | (67) |
| Interest on Internal Balances | | (1,419) | (1,063) |
| Pensions Interest/Return on Assets | | 369 | 0 |
| NET OPERATING EXPENDITURE / (INCOME) | | 1,727 | 1,800 |
| Revenue Contributions to Capital Expenditure | 7 | 950 | 209 |
| FRS 17 Adjustment | | (537) | 78 |
| Transfer to / (from) Major Repairs Reserve | 6 | (3,570) | (3,077) |
| Transfer to / (from) General Fund | | 110 | 0 |
| Transfer to / (from) Capital Reserve | | 15 | 15 |
| Transfer to / (from) Job Evaluation Reserve | | 0 | (150) |
| (SURPLUS) / DEFICIT FOR YEAR | | (1,305) | (1,125) |
| BALANCE BROUGHT FORWARD | | (3,529) | (2,404) |
| (Surplus) / Deficit for Year | | (1,305) | (1,125) |
| BALANCE CARRIED FORWARD | | (4,834) | (3,529) |

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NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council was responsible for managing on average 6,770 (6,887) dwellings during 2004/05. Changes in the stock are summarised below. The figures include 50 units for the homeless at Norway House, North Weald, 9 wardens' and caretakers' dwellings, and 20 special lets.

| | 2004/05 | 2003/04 |
|---------------------------------|---------------------|---------------------|
| Stock as at 1 April | 6,814 | 6,960 |
| Less Sales | (61) | (139) |
| Stock Transfers / Conversions | (35) | (10) |
| Add New / Reinstated Properties | <u>8</u> | <u>3</u> |
| Stock as at 31 March | <u>6,726</u> | <u>6,814</u> |
| Houses and Bungalows | 54% | 53% |
| Flats and Maisonettes | 45% | 46% |
| Other | 1% | 1% |

2. STOCK VALUATION

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

| | Dwellings | Garages | Equipment | Investment Assets | Other | Total |
|--|-----------------------|---------------------|---------------------|------------------------------|-------------------|-----------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance Sheet | | | | | | |
| Value as at 31 | | | | | | |
| March 2004 | 550,051 | 8,205 | 2,237 | 11,001 | 402 | 571,896 |
| Reclassified | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 62,839 | 232 | 0 | 0 | 0 | 63,071 |
| | <u>612,890</u> | <u>8,437</u> | <u>2,237</u> | <u>11,001</u> | <u>402</u> | <u>634,967</u> |
| Value as at 1 April 2004 | | | | | | |
| Additions | 7,258 | 0 | 1,848 | 36 | 52 | 9,194 |
| Depreciation | (7,694) | (244) | (135) | 0 | 0 | (8,073) |
| Disposals | (7,392) | 0 | 0 | 0 | 0 | (7,392) |
| Deletions | (1,399) | 0 | 0 | (36) | 0 | (1,435) |
| Balance Sheet Value as at 31 March 2005 | <u>603,663</u> | <u>8,193</u> | <u>3,950</u> | <u>11,001</u> | <u>454</u> | <u>627,261</u> |

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 £1,053,873,750. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

3. GROSS DWELLING RENT INCOME

During 2004/05 1.06% (0.89% in 2003/04) of all lettable dwellings were vacant. Average rents were £58.01 per week, an increase of £2.22 or 3.98% over the previous year. 55% (55%) of all Council tenants received some help through rent rebates in 2004/05. Rent arrears increased to £858,703 (£773,810), which represents 4.2% (3.9%) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £579,000 (£525,000). Amounts written off during the year totalled £55,947 (£56,732). Dwelling rents are shown after allowing for voids.

NOTES TO THE HOUSING REVENUE ACCOUNT

4. SUBSIDY ENTITLEMENT

Housing Revenue Account Subsidy for any year is calculated by constructing a Notional Housing Revenue Account, where all amounts are calculated in accordance with the Housing Revenue Account Subsidy Determinations (2004/05).

| | 2004/05 | | 2003/04 | |
|--------------------------------------|----------|----------------|----------|--------------|
| | £000 | £000 | £000 | £000 |
| Management and Maintenance Allowance | | 8,814 | | 7,166 |
| Major Repairs Allowance | | 4,503 | | 4,136 |
| Rent Rebates | | 0 | | 10,123 |
| Less | | | | |
| Notional Rents | (20,180) | | (19,329) | |
| Interest on Receipts | (693) | (20,873) | (793) | (20,122) |
| Total (Payable)/Receivable | | (7,556) | | 1,303 |

Rent Rebates are now accounted for in the General Fund therefore this no longer forms part of HRA Subsidy.

5. 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:

| | 2004/05 | | 2003/04 | |
|-------------------------------|---------|----------------|---------|----------------|
| | £000 | £000 | £000 | £000 |
| Balance as at 1 April | | (2,466) | | (1,600) |
| Contribution from the HRA | (5,000) | | (4,500) | |
| Other Income | (109) | | (48) | |
| Total Income | | (5,109) | | (4,548) |
| Responsive & Void Repairs | 2,780 | | 2,547 | |
| Planned Maintenance | 1,509 | | 938 | |
| Other | 238 | | 197 | |
| Total Expenditure | | 4,527 | | 3,682 |
| Balance as at 31 March | | (3,048) | | (2,466) |

NOTES TO THE HOUSING REVENUE ACCOUNT

6. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve as from 1 April 2001, to account for money received from the Government used to fund major, capital repairs to the Housing Stock. The Housing Revenue Account receives funding via its Housing Subsidy (see note 4 above), which is then transferred into the Major Repairs Reserve via a depreciation charge. This income can then be used to fund repairs of a capital nature. The Council is allowed to transfer certain sums back to its Housing Revenue Account, namely any excess of depreciation charged over and above the level of the Major Repairs Allowance received. The movement on the reserve is as follows:

| | 2004/05 | | 2003/04 | |
|---------------------------------------|---------|----------------|---------|----------------|
| | £000 | £000 | £000 | £000 |
| Balance as at 1 April | | (3,539) | | (1,993) |
| Depreciation transferred from the HRA | | (8,073) | | (7,213) |
| Used to fund Capital Expenditure | 6,628 | | 2,590 | |
| Transferred to the HRA | 3,570 | | 3,077 | |
| Total Expenditure | | 10,198 | | 5,667 |
| Balance as at 31 March | | (1,414) | | (3,539) |

7. CAPITAL EXPENDITURE

The Housing Revenue Account incurred the following capital expenditure. (See also note 1 of the Consolidated Balance Sheet).

| Capital Expenditure on: | £000 | Financed by: | £000 |
|-------------------------|--------------|-------------------------|--------------|
| Council Dwellings | 5,858 | Capital Receipts | 2,197 |
| Plant and Equipment | 1,848 | Capital Creditors (Net) | (567) |
| Shopping Parades | 36 | Revenue | 900 |
| | 7,742 | Major Repairs Reserve | 6,628 |
| Other non-HRA Assets | 1,452 | Charged to Leaseholders | 36 |
| | 9,194 | | 9,194 |

The Revenue Contributions to Capital Expenditure figure of £950,000 shown on the face of the HRA includes £50,000 in respect of the Housing Maintenance DSO.

8. CAPITAL CHARGES

The cost of capital charge is a charge to the Housing Revenue Account to reflect the cost of fixed assets used in the provision of landlord services. Currently the cost of capital charge is 3.5% of the net balance sheet value. As a consequence of the statutory accounting rules for the Housing Revenue Account contained in the Local Government and Housing Act 1989, the cost of capital charge is reversed out via the asset management revenue account, as is the transfer to the capital reserve.

Depreciation is also charged on Housing Revenue Account assets in accordance with FRS 15. Depreciation is now charged with reference to Balance Sheet values and the average life remaining on the housing stock. No depreciation is chargeable on the Housing Revenue Account investment assets. (See also note 2 above)

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THE CONSOLIDATED REVENUE ACCOUNT

| CONSOLIDATED EXPENSES | Note | 2004/05 | | 2003/04 | |
|--|------|-------------------------|----------------|-----------------------|-----------------------|
| | | Gross Expend £000 | Income £000 | Net Expend £000 | Net Expend £000 |
| Central Services | | 11,305 | 7,917 | 3,388 | 3,950 |
| Cultural Related | | 7,759 | 3,090 | 4,669 | 4,131 |
| Environmental Services | | 6,362 | 973 | 5,389 | 5,313 |
| Highways and Transport | | 3,389 | 1,958 | 1,431 | 1,254 |
| Housing | | 73,280 | 46,269 | 27,011 | 23,889 |
| Planning & Development | | 3,982 | 1,521 | 2,461 | 2,051 |
| Social Services | | 0 | 0 | 0 | 0 |
| NET COST OF SERVICES | | 106,077 | 61,728 | 44,349 | 40,588 |
| Precepts paid to Parish councils | | | | 2,225 | 2,141 |
| Total Net (Surplus) / Deficit from Trading Operations | | | | (695) | (740) |
| Housing Pooled Capital Receipts | | | | 1,065 | 0 |
| Pensions Interest/Return on Investments | | | | 1,156 | 1,283 |
| Asset Management Revenue Account | 5 | | | (28,680) | (23,719) |
| Interest and Investment Income | | | | (67) | (93) |
| TOTAL NET OPERATING EXPENDITURE | | | | 19,353 | 19,460 |
| Transfers to / (from) HRA Balances | | | | 1,305 | 1,125 |
| Transfers to / (from) Housing Repairs Reserve | | | | 582 | 866 |
| Transfers to / (from) DDF Reserves | | | | 56 | 621 |
| Transfers to / (from) Capital Reserves | 6 | | | (4,497) | (4,365) |
| Transfers to / (from) Other Reserves | | | | 150 | (1,015) |
| Transfer to / (from) Usable Capital Receipts | | | | (1,065) | 0 |
| FRS 17 Adjustment | | | | (926) | (711) |
| AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS | | | | 14,958 | 15,981 |
| Receipts from the Collection Fund | | | | (8,916) | (8,574) |
| Transfers to / (from) the Collection Fund | | | | 23 | (20) |
| Revenue Support Grant | | | | (3,786) | (3,489) |
| Distribution from the Non-Domestic Rate Pool | | | | (3,305) | (4,221) |
| (SURPLUS) / DEFICIT FOR YEAR | | | | (1,026) | (323) |
| BALANCE BROUGHT FORWARD | | | | (4,462) | (4,139) |
| (Surplus) / Deficit for Year | | | | (1,026) | (323) |
| BALANCE CARRIED FORWARD | | | | (5,488) | (4,462) |

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NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. AGENCY AND CONTRACTED SERVICES

The Council carried out certain works on an agency or contracted basis. A statement of expenditure incurred in respect of these activities, which is not included in the Consolidated Revenue Account except for any net deficits or surpluses is as follows.

As Highways Agent for Essex County Council, the Council supervises work carried out on the District's highways, including footway repairs, road surface and street lighting maintenance. Total expenditure in 2004/05 was £3,266,000 (£3,289,000 in 2003/04), of which the County Council reimbursed £3,266,000.

2. PENSIONS

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 authority has a commitment to make the payments that need to be disclosed at the time employees earn their future entitlement.

Epping Forest District Council participates in the Essex County Council Pension Fund, which 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.

The authority 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 the cash payable in the year so the real cost of retirement benefits is reversed out of the General Fund Revenue Account (GFRA) after Net Operating Expenditure.

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

| | Essex County Council Local Government Pension Scheme | |
|--|---|-------------------------|
| | 2004/05 £000 | 2003/04 £000 |
| <i>Net Cost of Services</i> | | |
| Current Service Cost | (2,205) | (1,659) |
| Past Service Costs | 0 | 0 |
| <i>Net Operating Expenditure</i> | | |
| Interest Cost | (5,135) | (4,779) |
| Expected Return on Assets | 3,978 | 3,496 |
| <i>Amounts to be met from Government Grants & Local Taxation</i> | | |
| Movement on Pension Reserve | 926 | 711 |
| Actual Amount Charged against council tax for pensions in year | 2,436 | 2,231 |
| Employers contributions payable to the scheme | (2,436) | (2,231) |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3. MEMBER ALLOWANCES AND OFFICER REMUNERATION

Member allowances, including expenses, totalled £173,752 in 2004/05 (£147,035 in 2003/04).

The number of employees whose remuneration excluding pension contributions was £50,000 or more in bands of £10,000 were:

| Remuneration Band | 2004/05 | | 2003/04 | |
|---------------------|---------------------|--------------|---------------------|--------------|
| | Number of Employees | Left in Year | Number of Employees | Left in Year |
| £50,000 - £59,999 | 9 | - | 9 | 1 |
| £60,000 - £69,999 | 1 | - | 1 | - |
| £70,000 - £79,999 | - | - | - | - |
| £80,000 - £89,999 | 2 | - | 2 | - |
| £90,000 - £99,999 | - | - | - | - |
| £100,000 - £109,999 | - | 1 | 1 | - |

4. OPERATING LEASES

The Authority uses cars, operational vehicles, computers, and vending and fitness equipment under the terms of operating leases. The amount paid under these arrangements in 2004/05 was £542,720 (£565,000 in 2003/04). The future cash payments that are required under these leases total £671,000.

5. ASSET MANAGEMENT REVENUE ACCOUNT

The nature and amount of all material transactions in the Asset Management Revenue Account are disclosed in the following statement.

| | 2004/05 £000 | 2003/04 £000 |
|---|-----------------|-----------------|
| Capital Charges to Services | (35,554) | (31,040) |
| Grants Released from Capital Reserves | (334) | (75) |
| Interest Earned on Temporary Investments | (2,208) | (1,122) |
| Interest Payable to External Lenders | 39 | 90 |
| Depreciation | 9,377 | 8,428 |
| Total Credited to the Consolidated Revenue Account | (28,680) | (23,719) |

6. TRANSFERS TO CAPITAL RESERVES

The nature and amount of all material transfers to the Capital Financing Reserve Account are disclosed in the following statement.

| | | 2004/05 | | 2003/04 | |
|---|-------------------------|---------|----------------|---------|----------------|
| | | £000 | £000 | £000 | £000 |
| Direct Revenue | General Fund | 7 | | 0 | |
| Financing | Housing Revenue Account | 950 | 957 | 209 | 209 |
| Grants Released to the Asset Management Revenue Account | | | 334 | | 75 |
| Commutation adjustment | | | (346) | | 0 |
| Depreciation | | | (9,012) | | (8,097) |
| Housing Grants Disposals | | | (365) | | (331) |
| Deletions | | | (568) | | (357) |
| Net MRA Transfer | | | 4,503 | | 4,136 |
| (See also note 6 to the Housing Revenue Account) | | | | | |
| Total Transfer from Capital Reserves | | | (4,497) | | (4,365) |

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7. RELATED PARTY TRANSACTIONS

Apart from those related party transactions reported elsewhere, various transactions arose during the year by virtue of a number of Councillors and Officers being board members of trusts and non-profit making organisations that the Council supports via grant aid, and other precepting bodies. The individuals concerned made the relevant declarations of interest as appropriate.

| <u>Name</u> | <u>Declaration</u> |
|--------------------------------|---|
| Councillor K E Angold-Stephens | Broadway Town Centre Partnership |
| Councillor R M Goold | Buckhurst Hill Parish Council Buckhurst Hill Parish Council |
| Councillor A G Grigg | North Weald Bassett Parish Council |
| Councillor J A Harrington | Sheering Parish Council |
| Councillor M A C Heavens | Buckhurst Hill Town Centre Partnership Epping Forest Local Strategic Partnership |
| Councillor J Knapman | Chigwell Parish Council Grange Farm Trust |
| Councillor W F McLaine | Loughton & District Citizen Advice Bureau |
| Councillor S W Murray | Loughton Town Council |
| Councillor S Perry | Epping Town Council |
| Councillor D W Spinks | Waltham Abbey Town Council |
| Councillor S A Stavrou | Waltham Abbey Town Council |
| Councillor C Whitbread | Epping Town Council |
| Councillor J M Whitehouse | Epping Town Council |

The disclosure note has been prepared using the Council's Register of Members' Declarations of interest and appointments made by the Council in addition to a specific declaration obtained in respect of related party transactions. The council has prepared this disclosure in accordance with its current interpretation and understanding of FRS 8 and its applicability to the public sector.

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THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR 2004/05

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

| INCOME | Note | 2004/05 £000 | 2003/04 £000 |
|---|------|-----------------|-----------------|
| Council Tax | 1 | 64,561 | 60,913 |
| Non Domestic Rates | 2 | 24,121 | 19,720 |
| Adjustments for previous years Community Charges | 3 | 0 | 0 |
| | | <hr/> | <hr/> |
| TOTAL INCOME | | 88,682 | 80,633 |
| EXPENDITURE | | | |
| Precepts and Demands: | | | |
| Essex County Council | | 46,941 | 47,184 |
| Essex Police | | 5,227 | 4,894 |
| Essex Fire Authority | | 2,971 | 0 |
| Epping Forest District Council | | 8,916 | 8,574 |
| | | | |
| Contributions to Epping Forest District Council re Previous Years Community Charge | 4 | 0 | 7 |
| | | | |
| Distribution of Estimated Collection Fund Surplus/(Deficit) for Previous Years | 4 | | |
| Essex County Council | | (124) | 66 |
| Essex Police | | (13) | 7 |
| Epping Forest District Council | | (23) | 13 |
| | | | |
| Non Domestic Rate | | | |
| Payment to National Pool | | 23,962 | 19,564 |
| Cost of Collection Allowance | | 159 | 156 |
| | | | |
| Provision for Non Payment of Council Tax | | 161 | 263 |
| Council Tax Write Offs | | 247 | 99 |
| | | <hr/> | <hr/> |
| TOTAL EXPENDITURE | | 88,424 | 80,827 |
| | | <hr/> | <hr/> |
| (SURPLUS) / DEFICIT FOR YEAR | | (258) | 194 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| BALANCE BROUGHT FORWARD | | 90 | 104 |
| (Surplus) / Deficit for Year | | (258) | 194 |
| | | <hr/> | <hr/> |
| BALANCE CARRIED FORWARD | 5 | (168) | 90 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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NOTES TO THE COLLECTION FUND

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: (52,651.83 for 2004/05). This basic amount of Council Tax for a Band D property (£1,216.57 for 2004/05, £1,152.27 for 2003/04) is multiplied by the proportion specified for the particular band to give an individual amount due.

The Government is considering a change to use residential property values as at 1 April 2004 as the basis of council tax calculations from 2006/07.

| | Chargeable Dwellings after Discount Exemptions And disabled Relief | Ratio to Band D | Band D Equivalents |
|--|---|----------------------------|-------------------------------|
| Band A Disabled | 2 | 0.55 | 1 |
| Band A | 1,558 | 0.67 | 849 |
| Band B | 4,407 | 0.78 | 2,814 |
| Band C | 10,685 | 0.89 | 8,337 |
| Band D | 13,059 | 1.00 | 11,969 |
| Band E | 8,624 | 1.22 | 9,830 |
| Band F | 6,302 | 1.44 | 8,551 |
| Band G | 5,584 | 1.67 | 8,870 |
| Band H | 1,001 | 2.00 | 1,919 |
| Total Band D | | | 53,140 |
| Less Adjustment for Collection Rate | | | 488 |
| Council Tax Base | | | 52,652 |

The income of £64,561,000 for 2004/05 (£60,913,000 for 2003/04) is receivable from the following sources.

| | 2004/05 £000 | 2003/04 £000 |
|------------------------------|-------------------------|-------------------------|
| Billed to Council tax payers | (57,965) | (55,078) |
| Council Tax Benefits | (6,596) | (5,835) |
| | (64,561) | (60,913) |

NOTES TO THE COLLECTION FUND

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount (45.6p in 2004/05 and *44.4p in 2003/04*) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population. The total non-domestic rateable value at the year-end was £56,931,733 (*£57,045,544 in 2003/04*).

3. ADJUSTMENTS FOR PREVIOUS YEAR'S COMMUNITY CHARGE

Although Council Tax replaced Community Charge as from 1 April 1993, the Council continued to account within the Collection Fund for residual adjustments in relation to the Community Charges raised in earlier years until 31 March 2004. At that date, the community charge account was formally closed and no further adjustments will be undertaken.

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

Up to 2003/04, surpluses on the Collection Fund due to residual Community Charge transactions were transferred to the General Fund to reduce the amount of council tax the Council has to raise to finance its own expenditure. In 2004/05, the residual surplus of £1,000 remaining on the Community Charge fund was transferred to the Council Tax fund to close the account. No further transactions will be made on the Community Charge account.

The surplus or deficit on the Collection Fund arising from council tax transactions will be distributed in subsequent years to Essex County Council, Essex Police, Essex Fire Authority and this Council in proportion to the value of the respective precept and demand made by the authorities on the Collection Fund. In 2004/05 a total deficit of £160,000 was distributed, of which this Council's share was a deficit of £13,000.

5. BALANCES ON THE COLLECTION FUND

The surplus of £168,000 at 31 March 2005 is made up of the surplus of £1,000 arising from residual Community Charge transactions (as explained in Note 4) and a surplus of £167,000 from Council Tax transactions.

THE CONSOLIDATED BALANCE SHEET

| | Note | 31 MARCH 2005 | | 31 MARCH 2004 | |
|--|------|---------------|----------------|---------------|----------------|
| | | £000 | £000 | £000 | £000 |
| LONG TERM ASSETS | | | | | |
| Fixed Assets | 1 | | | | |
| Operational Assets | | | | | |
| - Council Dwellings | | 611,819 | | 558,257 | |
| - Other Land and Buildings | | 32,398 | | 27,442 | |
| - Vehicles, Plant, Furniture and Equipment | | 4,935 | | 3,107 | |
| - Infrastructure | | 7,218 | | 7,171 | |
| - Community Assets | | 534 | 656,904 | 424 | 596,401 |
| Non-Operational Assets | | | 34,843 | | 34,426 |
| Intangible Assets | 2 | | 1,079 | | 1,444 |
| Investments | | | 124 | | 124 |
| Long Term Debtors | | | | | |
| Mortgages | | 469 | | 673 | |
| Other Local Authorities Transferred Debt | | 635 | 1,104 | 658 | 1,331 |
| TOTAL LONG TERM ASSETS | | | 694,054 | | 633,726 |
| NET CURRENT ASSETS / LIABILITIES | | | | | |
| Current Assets | | | | | |
| Stocks and Work in progress | 3 | 272 | | 257 | |
| Debtors | 4 | 8,606 | | 7,106 | |
| Short Term Temporary Investments | | 44,600 | | 34,600 | |
| Cash at Bank and in Hand | | 1,487 | 54,965 | 24 | 41,987 |
| Current Liabilities | | | | | |
| Short Term Borrowing | 6 | 0 | | 0 | |
| Creditors and Prepayments | 5 | (12,188) | | (7,872) | |
| Bank Overdraft | | (325) | (12,513) | (207) | (8,079) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 736,506 | | 667,634 |
| Long Term Borrowing | 6 | | 0 | | 0 |
| Deferred Credits | 7 | | (907) | | (1,205) |
| Pensions Liability | 21 | | (38,108) | | (24,733) |
| Government Grants Deferred | 8 | | (3,080) | | (2,983) |
| Capital Contributions Deferred | 9 | | (578) | | (218) |
| TOTAL ASSETS LESS LIABILITIES | | | 693,833 | | 638,495 |

THE CONSOLIDATED BALANCE SHEET

| | Note | 31 MARCH 2005 | | 31 MARCH 2004 | |
|---------------------------------|-------|---------------|----------|---------------|----------|
| | | £000 | £000 | £000 | £000 |
| RESERVES | 14 | | | | |
| Fixed Asset Restatement Account | 10 | | 611,596 | | 550,371 |
| Capital Financing Account | 11 | | 76,704 | | 79,425 |
| Major Repairs Reserve | | | 1,414 | | 3,539 |
| Usable Capital Receipts | 12 | | 22,559 | | 13,483 |
| Pensions Reserve | 21 | | (38,108) | | (24,733) |
| Earmarked Reserves | 13/14 | | 9,178 | | 8,509 |
| Revenue Balances | | | | | |
| General Fund | | 5,488 | | 4,462 | |
| Collection Fund | 15 | 168 | | (90) | |
| Housing Revenue Account | | 4,834 | 10,490 | 3,529 | 7,901 |
| | | | 693,833 | | 638,495 |
| | | | 693,833 | | 638,495 |

I certify that the Statement of Accounts presents fairly the financial position of Epping Forest District Council as at 31 March 2005, and its income and expenditure for the year ended as at that date.

ROBERT PALMER BA ACA

HEAD OF FINANCE

18 July 2005

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. MOVEMENT OF FIXED ASSETS 2004/05

Movements during the year were as follows:

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant and Equipment | Infrastructure Assets | Community Assets | Non-Operational Properties | Total |
|-----------------------------|-------------------|--------------------------|-------------------------------|-----------------------|------------------|----------------------------|----------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Book Value | | | | | | | |
| 31 March 2004 | 577,821 | 28,551 | 5,298 | 8,922 | 428 | 34,425 | 655,445 |
| Reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restated | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Re-valued | 63,071 | 5,203 | 0 | 0 | 0 | 3,043 | 71,317 |
| Value | | | | | | | |
| 1 April 2004 | 640,892 | 33,754 | 5,298 | 8,922 | 428 | 37,468 | 726,762 |
| Additions | 7,258 | 200 | 2,482 | 300 | 110 | 110 | 10,460 |
| Disposals | (8,860) | (0) | (0) | (0) | (0) | (2,700) | (11,560) |
| Write-offs | (37) | (4) | (275) | (0) | (0) | (35) | (351) |
| Gross Book Value | | | | | | | |
| 31 March 2005 | 639,253 | 33,950 | 7,505 | 9,222 | 538 | 34,843 | 725,311 |
| Depreciation | | | | | | | |
| 1 April 2004 | 19,564 | 1,110 | 2,191 | 1,751 | 4 | 0 | 24,620 |
| Depreciation in Year | 7,938 | 442 | 379 | 253 | 0 | 0 | 9,012 |
| Depreciation on Assets Sold | (68) | (0) | (0) | (0) | (0) | (0) | (68) |
| Depreciation | | | | | | | |
| 31 March 2005 | 27,434 | 1,552 | 2,570 | 2,004 | 4 | 0 | 33,564 |
| Net Book Value | | | | | | | |
| 31 March 2005 | 611,819 | 32,398 | 4,935 | 7,218 | 534 | 34,843 | 691,747 |

An analysis of the way new capital assets were financed is set out below:

| Capital Expenditure on: | £000 | Financed by: | £000 |
|--|---------------|-------------------------|---------------|
| Council Dwellings | 7,258 | Capital Creditors (Net) | (896) |
| Plant & Equipment in Council Dwellings | 1,848 | Capital Receipts | 3,451 |
| Civic Offices | 63 | Revenue | 957 |
| Town Centre Enhancements | 46 | Major Repairs Reserve | 6,628 |
| Highways and Footpaths | 285 | Grants | 320 |
| Leisure Facilities | 282 | | |
| Information Technology | 384 | | |
| Vehicles and Equipment | 87 | | |
| River Bank Stabilisation | 14 | | |
| North Weald Airfield | 49 | | |
| Flood Alleviation | 7 | | |
| Shopping Parades | 36 | | |
| Other Miscellaneous | 101 | | |
| Total | 10,460 | | 10,460 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. MOVEMENT OF FIXED ASSETS 2004/05 (CONTINUED)

| Fixed assets owned by the Council include the following: | Number as at 31 March | |
|--|--------------------------|-------|
| | 2005 | 2004 |
| HRA Properties | | |
| Council Dwellings | 6,726 | 6,814 |
| Council Garages | 2,912 | 2,912 |
| Hostels (50 units) | 1 | 1 |
| Operational Land and Buildings | | |
| Civic Offices | 1 | 1 |
| Other Offices | 4 | 4 |
| Sports Centres | 3 | 3 |
| Swimming Pools | 1 | 1 |
| Depots | 4 | 4 |
| Surface Car Parks | 13 | 13 |
| Cemeteries | 2 | 2 |
| Museum | 1 | 1 |
| Gymnasium | 1 | 1 |
| Plant Nursery | 1 | 1 |
| Playgrounds | 19 | 19 |
| Public Conveniences | 9 | 15 |
| Operational Equipment | | |
| Plant and Vehicles | 49 | 49 |
| Computers Servers | 79 | 62 |
| Client Equipment (PC's, Thin Clients and Printers) | 692 | 606 |
| Investment Properties | | |
| Commercial Properties | 148 | 150 |
| Industrial Estates | 4 | 4 |
| Recreational Airfield | 1 | 1 |
| Surplus Land Holdings | 5 | 5 |
| Community Assets | | |
| Community Halls | 9 | 9 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. INTANGIBLE ASSETS

Intangible assets are identifiable assets with no physical substance which are expected to yield future economic benefits to the Council.

| | 31 March | |
|-------------------------------|--------------|--------------|
| | 2005 £000 | 2004 £000 |
| Balance as at 1 April | 1,444 | 1,774 |
| Amounts amortised to Revenue | (749) | (687) |
| Expenditure | 384 | 357 |
| Balance as at 31 March | 1,079 | 1,444 |

3. STOCKS AND WORK IN PROGRESS

| | 31 March | |
|------------------|--------------|--------------|
| | 2005 £000 | 2004 £000 |
| Work in Progress | 109 | 100 |
| Stocks | 163 | 157 |
| Total | 272 | 257 |

4. DEBTORS

| | 31 March | |
|--|--------------|--------------|
| | 2005 £000 | 2004 £000 |
| Amounts falling due in one year | | |
| Government Departments and Other Local Authorities | 2,927 | 2,565 |
| Council Tax Arrears | 2,893 | 2,703 |
| Non Domestic Ratepayers Arrears | 828 | 838 |
| Housing Rent Arrears | 859 | 774 |
| Sundry Debtors | 4,271 | 3,306 |
| Financial Institutions | 565 | 158 |
| Others | 14 | 14 |
| | 12,357 | 10,358 |
| Less Provision for Bad and Doubtful Debts | (3,751) | (3,252) |
| | 8,606 | 7,106 |
| Amounts falling due after one year | 0 | 0 |
| Total | 8,606 | 7,106 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. CREDITORS, PREPAYMENTS AND PROVISIONS

| | 31 March | |
|--|----------------------|---------------------|
| | 2005 | 2004 |
| | £000 | £000 |
| Government Departments and Other Local Authorities | 4,110 | 1,224 |
| Council Tax | 790 | 952 |
| Non Domestic Ratepayers | 828 | 453 |
| Housing Rents | 155 | 168 |
| Sundry Creditors | <u>6,305</u> | <u>5,075</u> |
| Total | <u>12,188</u> | <u>7,872</u> |

6. EXTERNAL BORROWING

The Council has no outstanding loans as the remaining Public Works Loan Board loans were repaid in 2003/04.

7. DEFERRED CREDITS

| | 31 March | |
|---------------------------|-------------------|---------------------|
| | 2005 | 2004 |
| | £000 | £000 |
| Deferred Capital Receipts | 465 | 665 |
| Revenue Commuted Sums | <u>442</u> | <u>540</u> |
| Total | <u>907</u> | <u>1,205</u> |

This account contains deferred credits from two sources. Deferred Capital Receipts are derived principally from the sale of assets and will be received under mortgage agreements over agreed periods of time. Revenue Commuted Sums are contributions received towards the ongoing revenue cost of maintaining specific assets.

8. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

| | 31 March | |
|--|---------------------|---------------------|
| | 2005 | 2004 |
| | £000 | £000 |
| Balance as at 1 April | 2,983 | 3,017 |
| Grants Receivable - IEG, Lottery and Planning Delivery Grant | 431 | 41 |
| Allocated to the Asset Management Revenue Account | <u>(334)</u> | <u>(75)</u> |
| Balance as at 31 March | <u>3,080</u> | <u>2,983</u> |

The balance on this account represents the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset taking into account depreciation.

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. CAPITAL CONTRIBUTIONS DEFERRED

| | 31 March | |
|-------------------------------------|--------------|--------------|
| | 2005 £000 | 2004 £000 |
| Balance as at 1 April | 218 | 194 |
| Contributions Arising | 291 | 94 |
| Adjustment for Commuted Capital Sum | 147 | 0 |
| Contributions applied | (88) | (78) |
| Interest Received | 10 | 8 |
| Balance as at 31 March | 578 | 218 |

This represents unapplied capital resources other than those generated internally. The contributions arising figure quoted above includes £178,000 of Section 106 sums received during the year.

10. FIXED ASSET RESTATEMENT ACCOUNT

The system of capital accounting introduced in 1994/95 required the establishment of the fixed asset restatement reserve. The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations, adjustments and disposals. The reserve will be written down each year by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

The movements on the fixed asset restatement account in this year are shown below:

| | 31 March | |
|---|----------------|----------------|
| | 2005 £000 | 2004 £000 |
| Balance as at 1 April | 550,371 | 368,129 |
| Revaluations and Restatements during the year (see also note 1) | 71,317 | 190,096 |
| Disposal of Fixed Assets (see also note 1) | (10,092) | (7,854) |
| Balance as at 31 March | 611,596 | 550,371 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. CAPITAL FINANCING ACCOUNT

The capital financing account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to the revenue accounts to repay the principal element of external loans.

The movements on the capital financing account are shown below:

| | 31 March | |
|--|----------------------|----------------------|
| | 2005 £000 | 2004 £000 |
| Balance as at 1 April | 79,425 | 84,774 |
| Minimum Revenue Provision Adjustment: | | |
| Deferred Grants | 334 | 75 |
| Depreciation | (9,012) | (8,098) |
| Housing Grant Disposals | (365) | (330) |
| Deferred Charges etc written off in Year (Net) | (2,003) | (357) |
| Regulation 33 transfer | (2,970) | 0 |
| Commutation Adjustment | (346) | (414) |
| Premium on Premature Debt Redemption | 0 | (185) |
| Capital Financing | | |
| Capital Receipts Applied | 3,704 | 1,161 |
| Revenue Contributions Applied | 957 | 209 |
| Major Repairs Reserve Applied | 6,628 | 2,590 |
| Other | 6 | 0 |
| Commutation Adjustment | 346 | 0 |
| Balance as at 31 March | <u>76,704</u> | <u>79,425</u> |

12. USABLE CAPITAL RECEIPTS UNAPPLIED

| | 31 March | |
|---|----------------------|----------------------|
| | 2005 £000 | 2004 £000 |
| Balance as at 1 April | 13,483 | 5,544 |
| Adjustment for Commuted Capital Sum | (147) | 0 |
| Usable Capital Receipts arising in year | 11,368 | 11,600 |
| Regulation 33 transfer | 2,970 | 0 |
| Usable Capital Receipts applied in year | (3,704) | (3,661) |
| Commutation Adjustment | (346) | 0 |
| Capital Receipts Pooled | (1,065) | 0 |
| Balance as at 31 March | <u>22,559</u> | <u>13,483</u> |

These are capital receipts that have not yet been used to finance expenditure or repay debt.

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. MOVEMENT ON EARMARKED RESERVES

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

| | 1 April 2004 | Transfers in | Transfers Out | 31 March 2005 |
|---------------------------------|---------------------|---------------------|----------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Housing Repairs Reserve | 2,466 | 5,000 | (4,418) | 3,048 |
| District Development Fund | 2,401 | 456 | (400) | 2,457 |
| Pension Deficit Reserve | 2,815 | 0 | 0 | 2,815 |
| Insurance Reserve | 531 | 150 | 0 | 681 |
| Debenture Reserve | 120 | 0 | 0 | 120 |
| Building Control Charging A/C | 197 | 0 | (79) | 118 |
| On Street Parking | (25) | 0 | (43) | (68) |
| Museum Fund | 4 | 0 | (1) | 3 |
| Small Loans Fund | 0 | 4 | 0 | 4 |
| Total Earmarked Reserves | 8,509 | 5,610 | (4,941) | 9,178 |

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. STATEMENT OF TOTAL MOVEMENTS IN RESERVES

Movements during the year were as follows.

| | CAPITAL RESERVES | | | | REVENUE RESERVES | | | Total |
|--|---------------------------------------|---------------------------------|-----------------------------|-------------------------------|------------------|----------------------|-------------------------------|------------------|
| | Fixed Asset Restatement Account | Capital Financing Account | Major Repairs Reserve | Usable Capital Receipts | General Fund | Specific Reserves | Housing Revenue Account | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Balance as at 1 April 2004 | (550,371) | (79,425) | (3,539) | (13,483) | (4,462) | (8,509) | (3,529) | (663,318) |
| EFFECTS ON MOVEMENTS ON REVENUE FUNDS | | | | | | | | |
| (Surplus) / Deficit before Appropriation | - | - | - | - | 4,775 | 4,941 | (3,810) | 5,906 |
| Appropriations | - | - | 3,570 | - | 150 | (5,260) | 1,540 | - |
| Minimum Revenue Provision Adjustment | - | 14,016 | (8,073) | - | (5,958) | - | 15 | - |
| Revenue Financing of Fixed Assets | - | (957) | - | - | 7 | - | 950 | - |
| Net (Surplus) / Deficit for year | - | 13,059 | (4,503) | - | (1,026) | (319) | (1,305) | 5,906 |
| Capital Financing of Fixed Assets | - | (10,332) | 6,628 | 3,704 | - | - | - | - |
| Capital Adjustments | - | - | - | 346 | - | (346) | - | - |
| Unrealised (Gain) / Loss from Revaluation of Fixed Assets | (71,317) | - | - | - | - | - | - | (71,317) |
| EFFECTS OF DISPOSAL OF ASSETS | | | | | | | | |
| Cost or Value of Assets Disposed | 10,092 | - | - | - | - | - | - | 10,092 |
| Proceeds of Disposals | - | (6) | - | (13,126) | - | (4) | - | (13,136) |
| Net (Surplus) / Deficit for year | 10,092 | (6) | - | (13,126) | - | (4) | - | (3,044) |
| Balance as at 31 March 2005 | (611,596) | (76,704) | (1,414) | (22,559) | (5,488) | (9,178) | (4,834) | (731,773) |

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. COLLECTION FUND BALANCE

The Collection Fund is a statutory fund in which the Council records transactions for council tax, business rates and residual community charges. The net surplus on the fund of £168,000 is available for financing the expenditure of the Council, the County Council, Essex Police and Essex Fire Authority, and will be paid over in future financial years to the value of £18,000, £128,000, £14,000 and £8,000 respectively.

16. COSTS INCURRED IN RESPECT OF THE EURO

No costs have been incurred that are directly related to the Euro.

17. TRUST FUNDS

The Council acts as sole trustee for three Charities. The Charities do not represent assets of the Council, and they have not been included in the Consolidated Balance Sheet. In addition to the direct financial support from the Council shown below, the Charities also benefit from local voluntary work.

Charities for which the Council acts as sole trustee are as follows.

| | Year to 31 March 2005 | | As at 31 March 2005 | |
|--------------------------------|-----------------------|----------------------------|---------------------|------------------|
| | Direct Income £ | Direct Expenditure £ | Assets £ | Liabilities £ |
| Chigwell Row Recreation Ground | 37,459 | 37,459 | 53,068 | - |
| Buckhurst Hill Open Space | 56 | 56 | - | - |
| Lindersfield | 892 | 892 | - | - |

The purpose of these charities is to hold land that has been designated as public open space. The income and expenditure is that of the charities in managing the land.

18. CONTINGENT GAINS

The Council enjoys rights from covenants relating to land not in its ownership, which restricts the use to which the land may be put. These rights therefore only have worth to the Council when the owner seeks permission to use the land for a purpose other than that to which it is restricted. The value of the covenant to the Council is then the price that the owner is willing to pay for its release. This value is determined by negotiation and independent valuation.

The Epping Forest Industrial Association is to be reconstituted. When this occurs there will be a distribution of contributions to the subscribers of which the council is one. A sum of around £60,000 is expected to be received.

The Council has a claim for VAT with Customs and Excise relating to off street parking charges resulting from the Isle of Wight tribunal case where it was concluded that off street car parking activities are within article 4.5 and in principle excluded from charges to VAT. The claim amounts to £320,000, with a further claim of £566,000 going back to January 1990.

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. CONTINGENT LIABILITIES

There were no contingent liabilities.

21. PENSIONS

Employees of Epping Forest District Council are admitted to the Essex County Council Pension Fund ("the Fund"), which is administered by the Essex County Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The figures disclosed below have been derived by approximate methods from the full actuarial valuation of the Fund carried out by the Fund's Actuary as at 31 March 2004.

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2002 to 31 March 2005 are 172% of members (employees) contributions plus lump sum payments of £0.490m (in 2002/03 terms), £0.650m (in 2003/04 terms) and £0.823m (in 2004/05 terms), rising in line with price inflation, less 2.5% per annum.

In 2004/05 the Council paid an employer's contribution of £2.133m representing 16.54% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the review at 31 March 2001 were implemented with effect from 1 April 2002. The Actuary advised that the scheme was still underfunded and that deficiency contributions were required from all participating authorities. The sum required from this authority, included in the above contributions, was £819,000 for 2004/05 (*£650,000 in 2003/04*).

Contributions paid by employees into the Essex County Council Pension Fund in 2004/05 amounted to £0.767m representing 5.95% of employee's pensionable pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2004/05 these amounted to £303,410 representing 2.35% of pensionable pay.

The capital cost of discretionary increases in pension payments in 2004/05 totalled Nil. The capital cost in relation to earlier years, for which payments are still being made, totalled £5.040m.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The main financial assumptions adopted as at 31 March 2005 were:

- Retail price inflation 2.9% per annum
- Increases in salaries 4.4% per annum
- Increases in pensions and deferred pensions 2.9% per annum
(parts of pensions in payment representing guaranteed minimum pensions are not increased (pre-1998 accrual) or increased at 2.0% per annum (post-1998 accrual))
- Discount rate 5.4%

The fair values of each main class of assets held by the Fund as at 31 March and the expected rates of return for the ensuing year are set out in the following table:

| | As at 31 March 2005 | | As at 31 March 2004 | |
|--------------|---------------------|-------------------------|---------------------|-------------------------|
| | Fair value £m | Expected Return % | Fair value £m | Expected Return % |
| Equities | 1,477 | 7.5 | 1,322 | 7.5 |
| Gilts | 236 | 4.7 | 167 | 4.7 |
| Other Bonds | 126 | 5.4 | 182 | 5.5 |
| Property | 244 | 6.5 | 207 | 6.5 |
| Other | 60 | 4.75 | 38 | 4.0 |
| Total | 2,143 | | 1,916 | |

There is no provision for unitising the assets of a Fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

| | 31 March | |
|---|------------|------------|
| | 2005 £m | 2004 £m |
| The fair value of the above assets related to this Council was | 61.2 | 58.1 |
| The value placed on the liabilities related to this Council was | (99.3) | (82.8) |
| Consequently, at 31 March, the deficiency related to this Council was | (38.1) | (24.7) |

The movement in the net pension deficiency for the year to 31 March 2005 is as follows:

| | 2005 £m | 2004 £m |
|--|------------|------------|
| Net pensions liability at 1 April 2004 | (24.7) | (31.8) |
| Movements in the current year | | |
| Current service cost | (2.2) | (1.6) |
| Employers' contributions payable to scheme | 2.4 | 2.2 |
| Settlement and curtailment costs | 0 | 0 |
| Past service costs | 0 | 0 |
| Interest cost | (5.1) | (4.8) |
| Expected return on assets in the scheme | 4.0 | 3.5 |
| Actuarial gain/(loss) | (12.5) | 7.8 |
| Net pensions liability at 31 March 2004 | (38.1) | (24.7) |

NOTES TO THE CONSOLIDATED BALANCE SHEET

The actuarial asset gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2005:

| | 2004/05 | |
|---|---------|-----|
| | £m | % |
| Differences between the expected and actual return on assets | 3.0 | 4.8 |
| Differences between actuarial assumptions about liabilities and actual experience | 0 | 0 |
| Changes in the demographic and financial assumptions used to estimate liabilities | 0 | 0 |

The above figures have been provided by the actuaries to the Essex Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

The primary cause of the change from an estimated net pension liability of £24.7m at 31 March 2004 to an estimated net pension liability of £38.1m at 31 March 2005 has been a change in Actuarial assumptions resulting from the 31 March 2004 valuation. A significant part of this change (£11.007m) results from the effect of the change in discount rate as at 1 April 2004 due to the accounting under CIPFA LAAP guidance.

The £38.1m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2005 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2005 would also have an impact on the capital value of the pension fund assets.

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 31 March 2004 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 up to the next review.

22. POST BALANCE SHEET EVENTS

Agreement has been reached regarding the sale of the parade ground in the sum of £9.5 million. The payment is to be received in three stages. A deposit of £950,000 was received on 19 May 2005 and is to be followed by £4.3 million on completion of the associated section 106 agreement or by 19 August 2005 whichever is the sooner. The final payment of £4.25 million is to be received on 31 March 2006.

Mediation has been entered into to reach a settlement on the Loughton Leisure Centre contract. The proposed settlement following mediation involves a payment of approximately £1.3 million. This figure is within the agreed budget, but is still subject to Member approval.

From 1 April 2005 the highways agency (see note 1 page 13) reverted to Essex County Council. The staff involved have transferred to Essex County Council under the TUPE regulations.

THE CASH FLOW STATEMENT

| | | 31 March 2005 | | 31 March 2004 | |
|---|------|---------------|-----------|---------------|-----------|
| | Note | £000 | £000 | £000 | £000 |
| REVENUE ACTIVITIES | | | | | |
| Out | | | | | |
| Cash paid to and on behalf of Employees | | 18,738 | | 18,510 | |
| Other Operating Cash Payments | | 28,421 | | 26,757 | |
| Precepts Paid | | 57,227 | | 54,292 | |
| National Non-Domestic Rate Payments to National Pool | | 19,948 | | 19,154 | |
| HRA Subsidy payable | | 7,556 | | 0 | |
| Payments to Capital receipts Pool | | 946 | | 0 | |
| Housing Benefit Paid Out | | 9,278 | 142,114 | 8,422 | 127,135 |
| | | | | | |
| In | | | | | |
| Rents (after Rebates) | | 15,080 | | 13,498 | |
| Council Tax Receipts | | 58,245 | | 54,799 | |
| National Non-Domestic Rate Receipts from National Pool | | 3,305 | | 4,221 | |
| Non-Domestic Rate Income | | 24,553 | | 20,756 | |
| Revenue Support Grant | | 3,786 | | 3,489 | |
| DWP Grants for Benefits | | 28,092 | | 14,142 | |
| Other Government Grants | 2 | 1,038 | | 3,641 | |
| Cash Received for Goods and Services | | 15,796 | | 20,505 | |
| Other Operating Cash Receipts | | 0 | 149,895 | 0 | 135,051 |
| | | | | | |
| Net Cash Flow from Revenue Activities | 1 | | (7,781) | | (7,916) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | | |
| | | | | | |
| Interest Paid | | | 1 | | 66 |
| Interest Received | | | (1,848) | | (1,190) |
| | | | | | |
| Net Cash Flow from Investments and Servicing of Finance | | | (1,847) | | (1,124) |
| CAPITAL ACTIVITIES | | | | | |
| Out | | | | | |
| Purchase of Fixed Assets | | 8,952 | | 7,268 | |
| Other Capital cash Payments | | 3,180 | 12,132 | 357 | 7,625 |
| | | | | | |
| In | | | | | |
| Sale of Fixed Assets and Repayment of Mortgages | | 11,603 | | 11,430 | |
| Capital Grants Received | 2 | 503 | | 884 | |
| Other Capital Cash Income | | 1,743 | 13,849 | 342 | 12,656 |
| | | | | | |
| Net Cash Flow from Capital Activities | | | (1,717) | | (5,031) |
| MANAGEMENT OF LIQUID RESOURCES | | | | | |
| | | | | | |
| Temporary Investments Made | | | 197,364 | | 208,765 |
| Temporary Investments Repaid | | | (187,364) | | (196,075) |
| | | | | | |
| Net Cash Flow from Management of Liquid Resources | 3 | | 10,000 | | 12,690 |
| FINANCING | | | | | |
| | | | | | |
| Repayment of Amounts Borrowed | 4 | | 0 | | 517 |
| | | | | | |
| Net (Increase) / Decrease in Cash | 5 | | (1,345) | | (864) |

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NOTES TO THE CASH FLOW STATEMENT

| 1. RECONCILIATION OF OPERATIONS TO NET CASH FLOW | 31 March 2005 | | 31 March 2004 | | |
|---|----------------|-----------------------|----------------------|-----------------------|-----------------------|
| | £000 | £000 | £000 | £000 | |
| General Fund (Surplus) / Deficit | (1,026) | | (323) | | |
| Housing Revenue Account (Surplus) / Deficit | (1,305) | | (1,125) | | |
| Collection Fund (Surplus) / Deficit | <u>(258)</u> | (2,589) | <u>194</u> | (1,254) | |
| Revenue Contributions to Capital | (957) | | (2,799) | | |
| Contributions (to) / from Provisions | (598) | | 164 | | |
| Contributions (to) / from Reserves | <u>(2,556)</u> | (4,111) | <u>(5,243)</u> | (7,878) | |
| Increase / (Decrease) in Stocks | 15 | | 70 | | |
| Increase / (Decrease) in Revenue Debtors | 1,430 | | (545) | | |
| (Increase) / Decrease in Revenue Creditors | <u>(4,373)</u> | (2,928) | <u>567</u> | 92 | |
| Financing Items | | <u>1,847</u> | | <u>1,124</u> | |
| Net Cash Flow from Revenue Activities | | <u>(7,781)</u> | | <u>(7,916)</u> | |
| 2. ANALYSIS OF GOVERNMENT GRANTS | | | 2004/05 | 2003/04 | |
| | | | £000 | £000 | |
| Revenue Grants | | | | | |
| ODPM Subsidy | | | 518 | 2,837 | |
| Other | | | <u>520</u> | <u>804</u> | |
| Total Revenue | | | <u>1,038</u> | <u>3,641</u> | |
| Capital Grants | | | | | |
| IEG | | | 350 | 0 | |
| Planning Delivery Grant | | | 22 | 0 | |
| Lottery | | | 0 | 197 | |
| ODPM Grants | | | <u>131</u> | <u>687</u> | |
| Total Capital | | | <u>503</u> | <u>884</u> | |
| 3. RECONCILIATION OF LIQUID RESOURCES TO TEMPORARY INVESTMENTS | | | 2004/05 | 2003/04 | |
| | | | £000 | £000 | |
| Temporary Investments as at 1 April | | | 34,600 | 21,910 | |
| Net Movement in Liquid Resources | | | <u>10,000</u> | <u>12,690</u> | |
| Temporary Investments as at 31 March | | | <u>44,600</u> | <u>34,600</u> | |
| 4. RECONCILIATION OF FINANCING TO AMOUNTS BORROWED | | | 2004/05 | 2003/04 | |
| | | | £000 | £000 | |
| Total Borrowings as at 1 April | | | - | 517 | |
| Net Movement in Financing | | | <u>-</u> | <u>(517)</u> | |
| Total Borrowings as at 31 March | | | <u>-</u> | <u>-</u> | |
| 5. MOVEMENT IN CASH AND CASH EQUIVALENTS | | | 1 April | 31 March | Differ- |
| | | | 2004 | 2005 | ence |
| | | | £000 | £000 | £000 |
| Cash | | | 24 | 33 | (9) |
| Bank of Scotland | | | 0 | 1,454 | (1,454) |
| Bank Overdraft | | | <u>(207)</u> | <u>(325)</u> | 118 |
| Total Cash and Cash Equivalents | | | <u>(183)</u> | <u>1,162</u> | <u>(1,345)</u> |

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STATEMENT ON INTERNAL CONTROL FOR 2004/05

1. SCOPE OF RESPONSIBILITY

- 1.1 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 and properly accounted for, is used economically, efficiently and effectively. In discharging this accountability, Members and senior officers are responsible for putting in place proper arrangements for the governance of EFDC's affairs and the stewardship of its resources. To do this, EFDC approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*.
- 1.2 EFDC has in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective in practice.
- 1.3 In addition, the Corporate Governance Group comprising of Management Board, the Monitoring Officer and the Section 151 Officer, review the arrangements to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it. The Chief Internal Auditor will be a member of the Group from 2005/06.
- 1.4 In discharging these responsibilities, EFDC is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, and which include arrangements for the management of risk.

2. PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- a) identify and prioritise the risks to the achievement of EFDC's policies, aims and objectives;
 - b) evaluate the likelihood of those risks being realised and the impact should they be realised; and
 - c) manage them efficiently and economically.
- 2.2 The basis of this system of internal control has been in place at EFDC for the year ended 31 March 2005, and up to the date of the approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

- 3.1 The key elements of the internal control environment are summarised below:
- 3.1.1 **Establishing and monitoring of the Authority's objectives**

The EFDC Council Plan for 2003/07 was in place during 2004/05 and is available on the Council website. This document sets out the Council's main strategies on a four year rolling programme, and is based on a thematic, rather than service specific approach to allow cross cutting issues to be identified and addressed more effectively. The themes are:

- a safe, healthy and attractive place
- an organisation that listens and leads to resolve local issues; and
- accessible, affordable and improving services

Progress towards the achievement of the objectives is monitored through the Performance Management Framework that was introduced in 2003/04 and updated during 2004/05, and through other internal reviews.

3.1.2 Policy and decision-making

EFDC has a Constitution detailing how the Council operates, how decisions are made and procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also includes Financial Regulations, Contracts Procedure Rules and the Council's Scheme of Delegation. It is subject to regular review

The Cabinet is responsible for key policy decisions and is made up of the Leader and eight other Portfolio Holders, who are all appointed by the Council. In June 2004 the Council took the decision to reduce the size of the Cabinet from ten, to nine Members. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

The Overview and Scrutiny function of the Council was reviewed by a Panel of Members during 2004/05. The review was considered by the Council in February 2005, when it was resolved to discontinue the existing structure of three Overview and Scrutiny Committees. These will be replaced in 2005/06 by a single Overview and Scrutiny Committee to support and monitor the work of the Cabinet. 'Task and Finish' Panels will be used for ad-hoc projects agreed in the annual work programme, particularly in relation to in-depth reviews of services/policies, and service development. Standing Panels will be used for cyclical topics such as Finance and Performance Review. A "call-in" procedure remains in place and allows the Overview and Scrutiny Committee to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

3.1.3 Standards Committee

The Council's independent Standards Committee was reappointed during 2004, and comprises three independent members, one parish representative and two District Councillors. The Terms of Reference of the Committee are defined by Statute and various Government Regulations. Amongst other things the Committee gives advice on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. The Committee submits an annual report on its activities to the District Council.

3.1.4 Compliance

EFDC has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contracts Procedure Rules, which are available to all officers via the Council's Intranet as part of the constitution. Other documentation includes corporate policies on a range of topics such as Data Protection, Health and Safety and Counter Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation by means of alerting them in a

monthly newsletter, issued by Human Resources, and where appropriate by arranging training for all or key members of staff.

As part of the Local Code of Corporate Governance, EFDC has previously adopted a Risk Management Strategy. This document shows the role both Members and Officers have in the identification and control of risk.

As part of the risk management process, further work has been undertaken during 2004/05 on the development of the Council's risk register, following a period when key staffing vacancies had led to a temporary loss of momentum in this work. A risk management healthcheck was undertaken by external consultants and presented to senior managers. Managers were identified in each Service to take the lead on risk management issues, undertake training on risk processes, and co-ordinate the production of Service risk management strategies, to ensure that risks had been identified and that sound business arrangements operate in Service areas to deal with them. An internal audit report, undertaken part way through the process confirmed that there had been improvements to the risk management framework. It was also concluded that the re-establishment of the corporate Risk Management Group and the review of the risk register should provide the drive necessary to bring the risk management process back on track.

Once the risk register has been updated, the key strategic risks to the Authority will be subject to regular review by the Management Board and Heads of Service.

3.1.5 Use of Resources

EFDC maintained its budgetary monitoring processes during 2004/05 to ensure that financial resources were being used to their best advantage, via management reporting to the officer Corporate Management Groups, and to Members.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the appropriate Overview and Scrutiny Committee as part of the annual budget process, prior to its submission to Cabinet alongside other competing budget requests. (In future years this function will be carried out by a Standing Finance Panel). Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. The Cabinet has to prioritise resource allocation to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate aims and objectives.

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

3.1.6 Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

In particular, the process in 2004/05 included:

- The rolling forward of the Council's four year financial strategy, updated bi-annually;
- The setting of the annual budget, continuing the existing practice of separating the base budget for continuing services, from the fund established to meet the cost of 'one off' items of revenue expenditure;
- The adoption of a three year capital strategy, previously assessed by the Government Office as "good";
- Monitoring of actual income and expenditure against the annual budget;
- Setting of financial and performance targets, including the monitoring of the prudential code and associated indicators;
- Periodic reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- Management of the Council's property portfolio, including disposal of surplus sites, in line with the Council's Asset Management Plan;
- The monitoring of performance on a quarterly basis;
- Managing risk in key financial service areas.

The Internal Audit Team reports to the Joint Chief Executive (Resources) and operates under an annual Audit Plan, which sets the audit work plan for the year and the framework within which its activities are monitored by the Finance and Performance Management Cabinet Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice to the Management Board and Members, on the internal control system of the Authority. Internal Audit provides an independent view on the adequacy, reliability and effectiveness of internal control within systems, and recommends areas for improvement. It also supports management in developing systems, and in providing advice on matters related to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data; and
- The identification and control of risk

3.1.7 Performance Management

Continuous service improvement is promoted via the Council Plan, the Best Value Performance Plan and the Council's performance management framework.

The Council sets its overall priorities as a way of informing the decision making process and budget setting cycle. To this end the Council has three key 'policy themes', as referred to at paragraph 3.1.1 above. Within each theme there are a number of more specific aims, which are monitored through the performance management system.

A quarterly report is produced on all the Best Value Performance Indicators, along with all local indicators. These reports show the detail of how the Council is going to achieve targets for each of the four years covered by the Council Plan. Additionally, key information is provided for consideration by Management Board and by Members. Reports are submitted to the appropriate Overview and Scrutiny Committee (or Panel from 2005/06).

The process for the collection and validation of Performance Indicators was reviewed following an internal audit of Local Performance Indicators during 2003, and Overview and Scrutiny Committees identified further enhancements in the performance monitoring systems to improve their usability and value to the Council. This will form the basis of the system of monitoring under the new scrutiny arrangements for 2005/06.

4. REVIEW OF EFFECTIVENESS

- 4.1 EFDC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:
- The work of the Internal Auditors;
 - The work of managers within the Council;
 - The External Auditors in their annual audit letter and other reports; and
 - Comments by other review agencies and inspectorates.
- 4.2 The Finance and Performance Management Cabinet Committee receives quarterly updates from the Chief Internal Auditor on the progress against the Audit Plan during the year, along with an annual assessment at the year end. Within these reports there is a strong focus on matters relating to the effectiveness of internal controls.
- 4.3 Individual Cabinet Members receive regular feedback from senior officers within their portfolios, on the delivery of services and the achievement of objectives and targets. Issues of strategic importance will be reported via the new Overview and Scrutiny Committee.
- 4.4 Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Chief Internal Auditor has placed substantial assurance on the systems of internal control in place during 2004/05.
- 4.5 The Council's External Auditor, as part of the CPA undertaken in February 2004, scored the Council's performance in a number of areas relating to the system of

internal control. The scores were reported in last year's Statement on Internal Control and are repeated below (in a range 1-4):

- Good (4) - Financial Standing
- Adequate (3) - Systems of Internal Financial Control
- Adequate (3) - Standards of Financial Conduct and the prevention and detection of fraud and corruption
- Good (4) - Financial Statements
- Good (4) - Legality of significant financial transactions

4.6 Within the CPA the Council was assessed in overall terms to be a "good" and financially sound Authority. A detailed Improvement Plan is now in place and progress is regularly monitored by the Council's Management Board.

4.7 In addition to the CPA assessment, the Council has, over the past few years, received positive Annual Audit letters from the External Auditor, which includes unqualified accounts.

5. IMPROVEMENTS DURING THE YEAR

5.1 In the period covered by this Statement, improvements have been made to the Council's arrangements in respect of the following areas:

- An action plan has been implemented to strengthen several elements of the Council's systems of internal control, including compliance with Financial Regulations.
- All Heads of Service have reviewed the internal controls operating within their Service Areas, and have provided assurance statements confirming their belief that appropriate controls were in place during 2004/05.
- The Council's Contract Standing Orders have been updated and a revised version will be published during 2005/06.
- The Council's scheme of virement was reviewed during 2004/05 and a revision will be adopted in 2005/06, designed to facilitate more flexible financial management.
- The Council adopted a member/officer protocol to define relations in such a way as to ensure the smooth running of the Council.
- A protocol has been prepared to guide Members and officers when representing the Council on Outside Organisations, and will be formally adopted during 2005/06.
- The Council's Performance Management Framework has been updated by Members and is operational across the Council. A new quality assurance process has been introduced to assist Services in compiling their performance returns.
- Fresh momentum has been given to the Council's risk management processes by the re-establishment of the Corporate Risk Management Group and work in progress on the production of a new Corporate Risk Register.
- The Council's Anti-fraud Strategy is available to the majority of staff via the Council's intranet, and induction training on the existence and purpose of the strategy is given to new Council employees.

6. SIGNIFICANT INTERNAL CONTROL ISSUES

- 6.1 The Council has in place a comprehensive Constitution, which sets out the rules governing the conduct of the Council's business, including its Financial Regulations. However some weaknesses have been identified in some of the Council's systems of internal control as defined in those Regulations. It is proposed to assist non- Finance managers by providing relevant training during 2005/06.
- 6.2 The quality of performance information is not yet satisfactory in all Services. Since inaccurate information does not provide a sound basis for monitoring performance and identifying problems, this is an area of the Council's work where improvements will be monitored following the introduction of new methods of presentation and quality assurance.
- 6.3 The Council has adopted a comprehensive approach to risk management and a high level corporate risk register is being updated. The momentum built up in 2004/05 needs to be maintained and a culture of risk assessment and management embedded across the whole Council.
- 6.4 On the basis of the relevant internal audit reports, the unqualified nature of the Council's accounts in recent years, and the assurance statements provided by Heads of Service, we are satisfied that, except for the matters referred to in paragraphs 6.1 to 6.3 above, the internal control arrangements for Epping Forest District Council are adequate and operating effectively.

7. CERTIFICATION

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, plans to address the weaknesses and ensure continuous improvement of the system is in place.

We are satisfied that these steps will address the need for improvements that have been identified during the year and we will review their implementation and operation as part of our next annual review.

Signatures:

..... **Leader of the Council**

Date:

..... **Joint Chief Executive
(Resources)**

Date:

..... **Joint Chief Executive
(Community)**

Date:.....

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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 Head of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts

I confirm that these accounts were approved by the Council at the meeting held on 28 July 2005.

COUNCILLOR BRIAN SANDLER
CHAIRMAN OF THE COUNCIL

28 July 2005

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance 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 Great Britain ('the Code of Practice')

In preparing this Statement of Accounts, the Head of Finance has:

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

The Head of Finance 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 1 to 41 present fairly the financial position of the Council as at 31 March 2005 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
HEAD OF FINANCE

18 July 2005

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THE INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO EPPING FOREST DISTRICT COUNCIL

I have audited the Statement of Accounts on pages (i) to (vi) and 1 to 41, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 1 to 4.

This report is made solely to 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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER AND AUDITOR

As described on page 42 the Chief Finance Officer is responsible for the preparation of the Statement of Accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the Statement of Accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 35 to 41 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Statement of Accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In my opinion the Statement of Accounts present fairly the financial position of Epping Forest District Council at 31 March 2005 and its income and expenditure for the year then ended.

CERTIFICATE

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

SIGNATURE**DATE**

Paul King, District Auditor, Audit Commission, Springvale Court, Hadleigh Road, Sproughton, Ipswich, Suffolk IP8 3AS

GLOSSARY OF TERMS

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.

ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

This account records all the Authority's external interest payments and receipts, excluding those arising from investments, and balances them against the notional capital charges made to individual service accounts. Any surplus or deficit is passed back to the revenue account, thereby ensuring that only actual expenses are charged to revenue in year.

CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

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

CAPITAL FINANCING 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.

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 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.

COMMUTATION ADJUSTMENT

On 1 October 1992, the Secretary of State exercised powers under section 157 of the Local Government and Housing Act 1989 to make single payments to authorities to commute all future entitlements to periodic payments in subsequent financial years relating to domestic and environmental improvement works carried out before 1992/93. The commutation adjustment is a compensating charge or credit which reconciles the bottom line of the Consolidated Revenue Account to that which would have held if the commutation exercise had not taken place.

CONSISTENCY

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

CONSOLIDATED 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.

GLOSSARY OF TERMS

CONSOLIDATED REVENUE ACCOUNT

This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, including the precepts of local Councils and demonstrates how that cost had been financed from charges made by the Council, income from the collection fund and Government grants.

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 event not wholly within the authority's control; or
- (ii) a present (*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 this would not be material.

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. There is therefore no logical basis of apportioning these costs to services.

CREDIT CEILING

An Authority's credit ceiling is a measure of the difference between the Authority's total liabilities in respect of capital expenditure financed by credit and provision that has been made to meet those liabilities. It does not represent actual debt outstanding.

INTANGIBLE ASSETS

Expenditure which may properly be deferred, but which does not result in, or remain matched with tangible assets. An example of an intangible asset is expenditure on items such as renovation grants.

DEPRECIATION

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, effluxion 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 within 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.

GLOSSARY OF TERMS

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.

FIXED ASSETS

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

FIXED ASSET RESTATEMENT ACCOUNT

This account records the deficits or surpluses arising on the revaluation of assets and is written down by the net book value of assets as they are disposed of.

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 or 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.

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

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.

GLOSSARY OF TERMS

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or constructions 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)

An Authority is 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.

GLOSSARY OF TERMS

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 but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which 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.

GLOSSARY OF TERMS

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.

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.

TOTAL MOVEMENTS IN RESERVES

The statement of total movements in reserves brings together all the recognised gains and losses of the Authority during the period and identifies those that have and have not been recognised in the consolidated revenue account. The statement separates the movements between revenue and capital reserves.

UNAPPORTIONABLE CENTRAL OVERHEADS

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

GLOSSARY OF TERMS

GLOSSARY OF PENSION SCHEME RELATED TERMS

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.

GLOSSARY OF TERMS

GLOSSARY OF PENSION SCHEME RELATED TERMS

FRS17

The new financial reporting standard FRS17 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.

GLOSSARY OF TERMS

GLOSSARY OF PENSION SCHEME RELATED TERMS

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.

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