

Supplementary Committee Agenda



**Epping Forest
District Council**

Audit and Governance Committee Thursday, 12th September, 2019

Place: Council Chamber - Civic Offices

Time: 7.30 pm

Democratic Services: Democratic Services Manager
Tel: 01992 564243
Email: democraticservices@eppingforestdc.gov.uk

15. ANY OTHER BUSINESS

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

15.a External Audit Report - 2018/19 (Pages 159 - 280)

(Interim Strategic Director) To consider the attached report from the External Auditor regarding the Council's Final Accounts for 2018/19 (AGC-008-2019/10).

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Report to the Audit and Governance Committee



**Epping Forest
District Council**

Report reference: AGC-008-2019/20
Date of meeting: 12 September 2019

Portfolio: Finance and Performance

Subject: External Audit Report - 2018/19

Responsible Officer: Nick Dawe (01992 564000 Ext 2541).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To note the comments made by the external auditor concerning the Final Accounts and the process of producing the final accounts;**
- (2) To note the areas where further follow-up is required and the outstanding “Value for Money” judgement;**
- (3) To note the intent of the Authority to make any necessary adjustments to the accounts to reflect the findings and suggestions of the External Auditor;**
- (4) To note the existing and future intent of the Authority, to address any process and procedure issues associated with the Final Accounts to the satisfaction of the External Auditor by 31 December 2019;**
- (5) To approve the supplementary external audit fee of £40,000 reflecting delays and interruptions in the audit work and the extend of the audit review; and**
- (6) To delegate to the Chair of the Audit and Governance Committee on the advice of the Authority’s Section 151 Officer to make any final adjustments to the figures and text of the Final Accounts and report all such changes at the next Audit and Governance Committee.**

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Epping Forest District Council
Report to the Audit and Governance committee on the
audit for the year ended 31 March 2019

Issued 06 September 2019 for the meeting on 12 September 2019

Contents

Page 162

01 Our report

Introduction	3
Our audit explained	5
Significant risks	6
Other areas of audit focus	9
Value for money	10
Control observations	11
Your annual report	16
Purpose of our report and responsibility statement	17

02 Appendices

Audit adjustments	19
Fraud responsibilities and representations	20
Independence and fees	21

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Page 163

We have pleasure in presenting our report to the Audit and Governance Committee (the Committee) for the 2019 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2019.

Status of the audit

This is our first year auditing the Council and there has been significant delays in completing the audit process. This is because of delays in delivery of supporting working papers for audit from management and delays in receiving information and explanations in response to subsequent audit queries. This has been driven primarily by weaknesses in arrangements for the preparation of the statement of accounts and supporting work papers and the loss of key members of staff within the finance team, together with significant issues in the classification of transactions and balances within the financial statements, which in turn has delayed our testing in some areas. As a result, our audit is ongoing and, whilst a significant amount of work has been performed, we still need to complete a number of key areas of our work including:

- completion of audit work on significant risk areas;
- completion of audit work on non-significant risk areas;
- receipt of final statement of accounts;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2019 through to signing.

We will provide an oral update at the meeting.

We have commented on the more significant items that we have tested throughout this document and we have set out a summary of misstatements and disclosure deficiencies identified to date in an appendix to this report. As our audit work is ongoing, further misstatements may be identified through the completion of our remaining work.

Our work in relation to "Value for money" is currently ongoing and we will provide the committee with an oral update as to the status of our work in the meeting.

Our work on the financial statements of the Council is ongoing as detailed above and our final audit opinion will be dependent on the conclusion of that work.

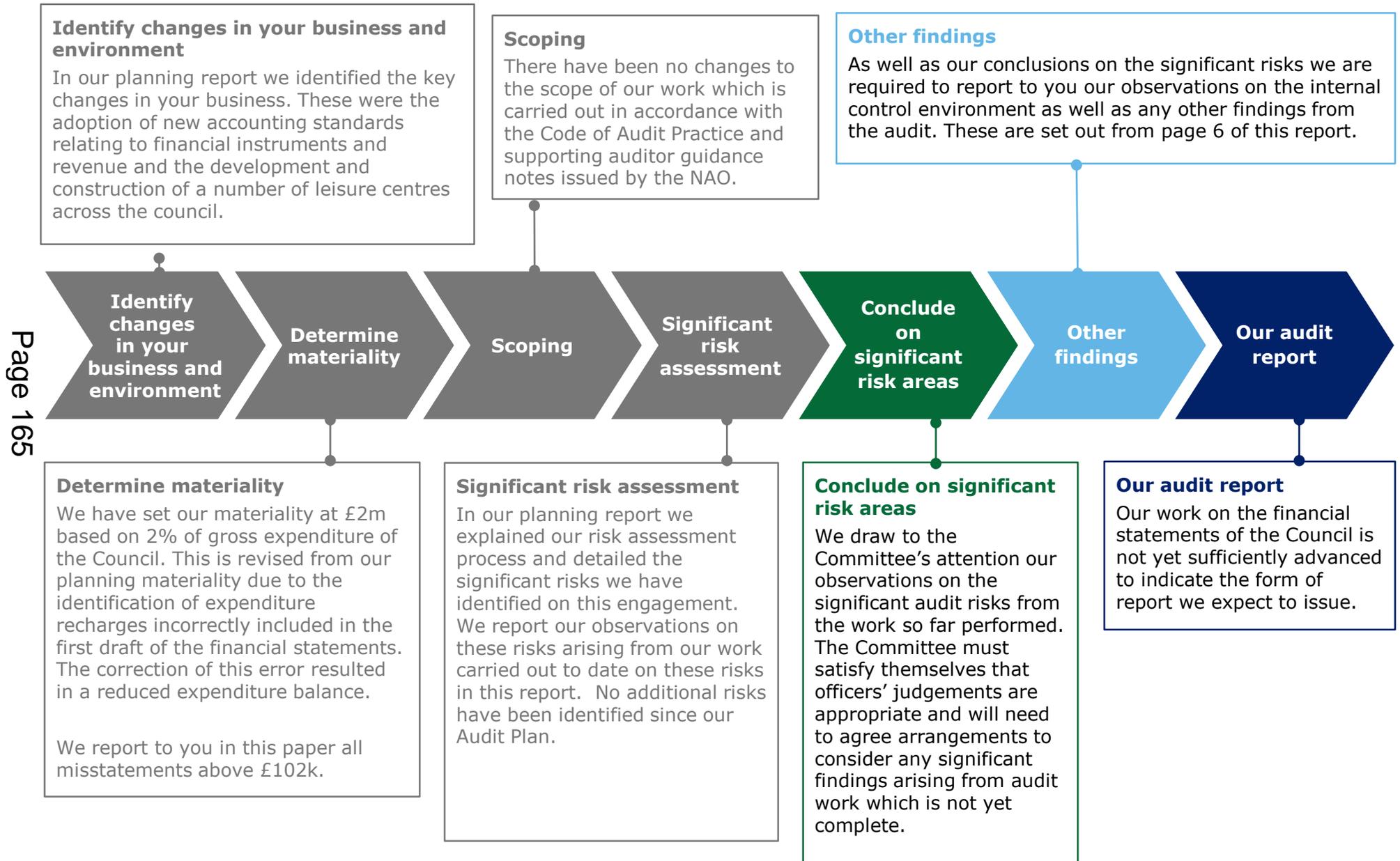
Introduction

The key messages in this report (continued)

Narrative Report and Annual Governance Statement	<p>Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report and the Annual Governance Statement to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report and Annual Governance Statement (and as such it is not considered an 'audited' statement). We are, however, required to read the Narrative Report and Annual Governance Statement to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by the auditor in the course of performing the audit.</p> <p>In performing our review of the Narrative Report and Annual Governance Statement, we have made observations which we have shared with officers, and summarised within this report, that we consider would further improve the document in line with the guidance set out in the CIPFA Code of Practice on Local Authority Accounting (the Code).</p> <p>Officers have considered our recommendations and we await an updated Narrative Report for review.</p>
Management Representations	<p>We will obtain written representations from the Chief Financial Officer on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A draft of this document will be provided to the officers in due course.</p>
Audit fee	<p>As explained in our fee letter, our audit fee is based on assumptions about the scope of our work and the completeness and quality of information provided to support the draft financial statements and the timeliness and quality of responses to subsequent requests for information and explanation. We expected our audit to be complete at this point but for the reasons set out above it is ongoing. We estimate the amount of additional cost incurred to finalise the audit process to be £40k, which is based on the assumption that we will continue to progress and finalise our work over the coming weeks.</p>
Duties as public auditor	<p>We did not receive any queries or objections from local electors this year.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p> <p>We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.</p>
Audit certificate	<p>We are not able to issue our certificate until we have completed our work on the Council's Whole of Government Accounts (WGA) return. We do not expect to meet the reporting deadline for the issue of our opinion on the WGA return. We expect this work to be completed at the same time of issuing our opinion on the Council's statement of accounts.</p>

Our audit explained

We tailor our audit to your organisation



Significant risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for officers to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Council's results throughout the year were projecting underspends in operational areas and these were closely monitored during the year; and
- Senior officer's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.

Accounting estimates

We have performed design and implementation testing of the controls in place on accounting estimates.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. As our work on property valuations is still ongoing, we will provide the Committee with an oral update during the meeting.

Status of our work and issues identified

We have identified control deficiencies, set out from page 11.

Our work on property valuations is still ongoing however we have not identified any significant bias in the key judgements made by officers based on work performed so far.

We have not identified any instances of inappropriate management override of controls in relation to the specific transactions tested based on work performed so far.

Significant risks

Capital expenditure

Risk identified

The council has continued with a programme of capital expenditure in 2018/19, with £26m of expenditure recorded in the year. This includes key projects such as the Hill House Leisure Centre (£5.1m) and the Burton Road House build (£4.2m).

Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.

There is also an incentive to inappropriately capitalise expenditure as the Council has greater flexibility over its use of revenue compared to capital resources and we have therefore identified this area as a fraud risk.

Deloitte response

- We tested the design and implementation of controls around the capitalisation of costs.
- We selected a sample of capital items recognised in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.

Status of our work and issues identified

Our work on capital expenditure is ongoing and we will provide the committee with an oral update during the meeting . So far we have identified some errors in relation to inappropriate capitalisation of demolition costs. These errors have been included within our schedule of unadjusted misstatements. Management have indicated to us that they will review these errors and make a decision on whether to adjust for these in the final statement of accounts.

Significant risks

Valuation of fixed assets and investment properties

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

Key judgements and our challenge of them

The Council held £776m of property assets at 31 March 2019, an increase of £20m, including a net revaluation gain of £6m and £26m of additions.

The Council updates the valuation of its properties using a rolling revaluation programme. In 2018/19, it engaged valuers to carry out the following valuation exercises:

- Perform a valuation of Council dwellings under the Council's 5 year rolling programme. The effective date of this valuation was 28 February 2019; and
- Perform a valuation of other properties due for valuation under the Council's 5 year rolling programme of valuations. The effective date of this valuation was 28 February 2019.

In addition, the Council commissioned its valuer to perform a market review providing information on market changes across 2018/19. On the basis of information provided, the Council determined there was no material change in the valuation of these properties.

The council held £117m of investment properties at 31 March 2019, an increase of £3.2m, including additions of £0.7m and a revaluation gain of £2.5m. Significant investments included within this are the Oakwood Hill ground and the North Weald Airfield. The council completes a full valuation of all its investments properties on an annual basis.

Deloitte response

- We tested the design and implementation of key controls in place around the property valuation, including how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.
- We obtained an understanding of the approach to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used.
- We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets.
- We considered the impact of uncertainties relating to the UK's exit from the European Union upon property valuations in evaluating the property valuations and related disclosures.
- We have planned tests of inputs and the calculation of the movement to be recorded in the financial statements to check correctly recorded.

Status of our work and issues identified

Our work on property valuations is ongoing and we will provide the committee with an oral update during the meeting. Our valuation specialists did identify a number of recommendations as part of their review which will be shared with management so they can be discussed with your valuers.

Other areas of audit focus

Defined benefits pension scheme

Background

The Council participates in the Essex Pension Fund Local Government Pension Scheme, administered by Essex County Council.

The net pension liability has decreased from £74.9m at 31 March 2018 to £69.8m at 31 March 2019 primarily as a result of slight increase in the discount rates and movements in asset values.

The Council's pension liability is affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of a liability. The actuary has assessed the impact on the Council's liability as £1.6m which has been adjusted for.

Deloitte response

- We obtained a copy of the actuarial report produced by Barnett Waddingham LLP, the scheme actuary, and agreed the disclosures to notes in the accounts.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Barnett Waddingham, including benchmarking as shown the table opposite.
- We obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary. We checked whether any significant changes in membership data were communicated to the actuary.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements as at 31 March 2018 and performed analytic procedures to test the asset value and movements for the year.
- We have reviewed and challenged the calculation of the impact of the McCloud case on pension liabilities made by Barnett Waddingham LLP.
- We reviewed the disclosures within the accounts against the Code.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.40	2.40	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.45	2.22	Reasonable, slightly Prudent
Salary increase (% p.a.) (over CPI inflation)	3.95	Council specific	Prudent
Pension increase in payment (% p.a.)	2.45	2.29	Reasonable
Pension increase in deferment (% p.a.)	2.45	2.24	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.30	21.20	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	22.90	23.00	Reasonable

Deloitte view

The Council has adjusted the pension liability for the impact of the McCloud case which amounted to £1.6m. The scale of impact is in particular driven by assumptions on future salary increases and the age of the membership.

An exercise performed by the Government Actuaries Department indicates that based on a salary increase of CPI and using the average age for the LGPS scheme as a whole of 46, the McCloud judgement would result in an increase in the pension liability relating to active members of 0.1%.

We have reviewed the assumptions and, on the whole, the set of assumptions is reasonable and lies towards the middle of the range of assumptions when compared with the Deloitte benchmarks. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

Arrangements to secure economy, effectiveness and efficiency from the Council's use of resources

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment and audit work (which is in progress) includes:

- Obtaining an understanding of the Council's Medium Term Financial strategy.
- Review of the internal audit reports provided to the council in the year.
- Reviewing the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes.
- Considering the Council's financial results for the year and the assumptions in the budget for future years specifically looking at future debt levels, borrowing limits and expected capital receipts.
- Considering matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19
- Reviewed the councils corporate risk register.

Page 170

Deloitte view

Our work in relation to "Value for money" is currently ongoing and we will provide the Committee with an oral update as to the status of our work in the meeting.

Control observations

During the course of our audit we have identified internal control findings which we have summarised below for information.

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Area	Observation
<p>Page 171</p> <p>Quality of draft financial statements</p>	<p>The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included:</p> <ul style="list-style-type: none"> • Findings regarding the compliance of the narrative report, financial statements and annual governance statement with the CIPFA code; • Inconsistencies between notes in the financial statements; • Accounting policies not updated for the adoption of IFRS 9 and IFRS 15; • Accounts disclosures not updated for the adoption of IFRS 9; • Accounts disclosures not updated for the adoption of IFRS 15; • Differences between primary statements and notes; • Differences noted during our call and cast process; • Incorrect classification of transactions and balances; • Numerous differences noted between the financial statements and supporting working papers and/or an absence of suitable supporting working papers; and • A lack of knowledge about key balances due to a significant loss of corporate knowledge following the departure of a number of members of the finance team which was exacerbated by a lack of documented processes. <p>Together these indicate weaknesses in the financial reporting and close process. We recommend the Council reviews the year-end reporting and close process, including:</p> <ul style="list-style-type: none"> • Documented year end timetable that includes detailed guidance on processes and controls; • preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council; • documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts; • review of the completed CIPFA disclosure checklist; • documented and reviewed internal checks of internal consistency; • completion of the CIPFA “pre-audit checks on draft year-end accounts” checklist; and • documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.

Control observations (continued)

Area	Observation
Preparation of accounting papers	<p>Accounting papers were not prepared to explain and support key judgements and estimates, including the ongoing pertinence of judgements made in previous years, or were not sufficiently detailed to explain and support those judgements and estimates. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc.), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures.</p> <p>The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge is retained in the organisation.</p> <p>We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising. We also recommend that accounting papers are presented to the same meeting of the Committee at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the Committee's approval of the draft statement of accounts.</p>
Documentation of controls and process	<p>As described on page 3 of this report, there has been significant delays in the completion of the audit process and provision of key information. One of the reasons for these issues has been the significant turnover in the finance team and subsequent loss of corporate knowledge. This has been exacerbated by the processes and routines previously in place not being clearly documented, therefore restricting the level of knowledge and continuity.</p> <p>As it progresses its initiatives to improve the processes around financial control, we recommend the level of documentation is improved to mitigate any future loss of continuity within the finance team.</p>
Review and approval of workings papers	<p>A number of key working papers and reconciliations provided by management in the first instance were inadequate as they did not reconcile to the trial balance or contain the required level of detail. For example, the profit on disposal amount included in the accounts was misstated by £700k, with the workings provided to corroborate the amount containing a number of incorrect calculations. Whilst we note that in most instances subsequent workings have been provided by management which are correct, we recommend that a process of review and approval of all key working papers is embedded in the year end process to implement an appropriate level of quality control.</p>

Control observations (continued)

Area	Observation
Controls of cash accounts	<p>We have identified a number of bank accounts which are held by the council but are not recorded within the general ledger. Whilst the amounts held within these accounts are not material, there is an increased risk of error in reporting cash if the accounts are not correctly recorded.</p> <p>We recommend that the council undertakes a full review of its banking arrangements and considers closing any which are no longer in use, as well as ensuring all bank accounts are captured within the general ledger.</p>
Maintenance of contact information and mandates with third parties	<p>We have noted through our audit procedures that incorrect information is held with key third parties. For example, the bank mandates have not been updated to reflect turnover in key members of staff, and incorrect contact information is documented with the investment managers. This increases the risk of accounts being accessed by members of staff who have left, or the council being unable execute banking or investment changes without an individual with the required authority.</p> <p>We recommend that a regular review of this information is completed by the council to ensure the relevant changes are implemented on a timely basis.</p>
Evidence of 'rents to mortgages' scheme	<p>The council holds charges of £2.1m over properties sold by the council through a historic 'rents to mortgages' scheme. The council has been unable to provide the relevant supporting documentation to corroborate the charges held over the properties, and is therefore unable support the amounts recorded within the financial statements.</p> <p>Once the relevant documentation is provided by the council, we will complete our procedures in regards to this balance. However, we recommend the council reviews its processes for the retention of key legal documents such as this.</p>
Disposal processes	<p>Through our testing we have identified a number of assets which are still owned by the Council but are no longer in use. These have been incorrectly treated as disposals and have been removed from the fixed asset register. We have also identified £163k of costs relating to the demolition of garages which have incorrectly been capitalised in the year.</p> <p>Furthermore, we note there is no formal process of review and approval of disposals. We recommend this process is introduced to improve the controls surrounding asset disposals.</p>

Page 13

Control observations (continued)

Area	Observation
Depreciation policy	<p>The council has an accounting policy to apply a full year of depreciation in the year of disposal and no depreciation in the year of acquisition, primarily for the reason that the fixed asset register is only updated at the end of year. This practice is not uncommon in the sector and does not have a significant impact on the carrying amount of assets where assets are acquired and disposed relatively evenly across the year.</p> <p>Management have prepared a high level calculation to assess the impact of this, which has been reviewed by the audit team. This assessment outlined the total net impact on depreciation as £64k, which is trivial.</p> <p>We recommend that management implements a process whereby the depreciation charge is retrospectively calculated based on the actual date of acquisition or disposal.</p>
Production of debtor & creditors listings	<p>The councils accounting system can only produce debtors & creditors listings on the date they are requested, and is therefore unable to provide retrospective listings. These listings were not produced the March 2019 year end and as a result full listings were not provided. Whilst management have been able to produce an alternative summary, this has been a time consuming task and has resulted in significant delays. We recommend the council ensures the production of these reports are embedded in the year end processes which is not disrupted by a loss of continuity in the finance team.</p>
Elimination of internal recharges	<p>Internal recharges should be eliminated from the presentation of income and expenditure in the Comprehensive Income and Expenditure Statement. £3.6m of expenditure has been identified which was incorrectly recorded within the financial statements.</p> <p>We recommend the council modifies its processes for recording expenditure to ensure all double counting is eliminated.</p>
Retention of signed employee contracts	<p>We have identified that the council does not retain signed employment contracts for a number of employees. We recommend that the council undertakes a review of its employment contracts to ensure a signed copy is in place for all members of staff.</p>

Control observations (continued)

Area	Observation
New accounting standards – IFRS 9 and 15	<p>Whilst we understand that officers discussed the impact of adoption of the new standards during the closure process, they did not prepare accounting papers on the transition to IFRS 9 and 15. The initial draft accounts were not updated for changes in disclosure requirements from IFRS 9 and 15. We are yet to receive managements assessment of these standards, which we will then assess to determine if the correct treatment has been applied. We also observe that because the new standards have been discussed as a one off exercise, new requirements will not have been embedded in the Council’s underlying systems, processes and controls. This presents a risk that new contracts or transaction may give rise to unanticipated impacts in future, or not be detected.</p> <p>We recommend that the Council reviews how to update its day to day accounting processes, including any necessary system and control changes, to reflect the requirements of IFRS 9 and 15, and the process to be followed in assessing new and unusual transactions.</p>
Preparation for IFRS 16	<p>The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage than has been the case for IFRS 9 and 15 to allow for financial reporting timetables to be met.</p> <p>We recommend that the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council’s underlying accounting systems and would expect an accounting paper to be prepared for the purposes of 2019/20 audit.</p>
Preparation of cash forecasts	<p>We note that the council does not prepare detailed cash flow forecasts. This restricts the councils ability to manage its working capital effectively and inform medium and long term finance strategy and planning, including its capital expenditure programme and financing requirements.</p> <p>We therefore recommend the council produces, a monthly basis, detailed cash forecasts for a period of at least 12 months. We also recommend that the actual cash balances are then compared to the forecasts and explanations for any variances are provided.</p>

Page 175

Your annual report

We are required to report by exception on any where information in other information published with the financial statements (which is the Narrative Report and Annual Governance Statements) is inconsistent with the financial statements.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation 	<p>Under International Standard on Auditing (ISA) (UK) 720A (revised), the Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, we are required to review the content of the Narrative Report to identify material inconsistencies (if any) with the statements that they accompany. We are not required to give an opinion on the Narrative Report (and as such it is not considered an ‘audited’ statement).</p> <p>In performing our review of the Narrative Report, we have made observations which we have shared with officers, and summarised below, that we consider would further improve the document in line with the guidance set out in the CIPFA Code of Practice on Local Authority Accounting (the Code). We have recommended that the report is updated to address these points. Officers have considered our recommendations and we await an updated version for review.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. We have provided officers with our comments on this document and we await an updated version for review.</p>

Page 17

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Governance Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

Results of our work on key audit judgements and our observations on the quality of your Annual Report.

Our internal control observations.

- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit and Governance Committee and Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.



Craig Wisdom

for and on behalf of Deloitte LLP

St Albans

06 September 2019

Appendices

Page 178



Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Memo: Debit/ (credit) usable reserves £m	If applicable, control deficiency identified
Misstatements identified in current year						
Disposal costs capitalised	[1]	0.16	(0.16)	-	(0.16)	
Building value of garages transferred to assets under construction	[2]	0.34	(0.34)	-	(0.34)	
Total		0.50	(0.50)	-	(0.50)	

(1) The costs of disposing of buildings held by the council to then allow subsequent development of the land have been capitalised. This is disallowed under the CIPFA.

(2) The building value of garages held by the council which at year end were awaiting demolition have been transferred to assets under construction. The building value of the garages should have had accelerated depreciation (equal to their carrying value) charged on them and remained as depreciable assets. This is a judgemental misstatement based on an approximation of 55% of the garage value being attributable to the building.

Our audit is ongoing and further misstatements may be identified through performance of our remaining procedures.

Audit adjustments (continued)

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by officers. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	Memo: Debit/ (credit) usable reserves £m	If applicable, control deficiency identified
Misstatements identified in current year						
Eliminate internal recharges	[1]	3.6 / (3.6)	-	-	-	Yes
Accounting for outcome of McCloud judgement	[2]	1.6	(1.6)	-	1.6	
Housing benefit expenditure omitted from accounts	[3]	0.15	(0.15)	-	0.15	
Reclassification of overdraft balance	[4]	-	0.19 / (0.19)	-	-	
Misstatements identified in prior years						
Reclassification of money market investments	[5]	-	(8.0) / 8.0	-	-	
Capital receipts incorrectly used for capital spend	[6]	-	9.0 / (9.0)	-	-9.0	
Reclassification of overdraft balance	[4]	-	2.3 / (2.3)	-	-	
Total		1.75	(1.75)	-	(7.25)	

- (1) Internal recharges have been incorrectly included gross in income and expenditure in the Comprehensive Income and Expenditure Statement. This adjustment nets down the recharge income against the matching expenditure item.
- (2) Based on the outcome of the actuary's review of the impact of the McCloud judgement on pension liabilities an adjustment of £1.6m has been identified.
- (3) £145k of housing benefit expenditure has been erroneously excluded from the accounts.
- (4) £193k (£2,282k in prior year) of overdraft was classified as cash. The correct classification for this balance is to be shown as an overdraft in liabilities.
- (5) £8m of short term money market investments funds were classified as cash equivalents. The correct classification for these balances is as a short term investment. Prior period adjustment required.
- (6) Relates to capital receipts received for the construction of social housing being incorrectly used for ongoing capital expenditure. Adjustment is to deduct the balance from the capital adjustment accounts and move back into the deferred capital receipts reserve. The capital financing requirement will also increase.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified valuation of land and buildings, capital expenditure and management override of controls as key audit risks for the council.

During course of our audit, we have had discussions with officers and those charged with governance.

During course of our audit, we have had discussions with relevant officers and those charged with governance.

In addition, we have reviewed officer's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the Annual Governance Statement.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit and Governance Committee for the year ending 31 March 2019 in our final report to the Audit and Governance committee.
Non-audit fees	There are no non-audit fees.
Independence monitoring	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Council, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (continued)

	Planned fee £'000s (excl. VAT)
Code audit fee - Council	50
Estimated additional costs	40
Total audit	90
Total assurance services	0
Total fees	90

We have incurred additional costs in our work on the 2018/19 audit due to difficulties and delays in obtaining information and errors identified in the financial statements.

We estimate the amount of additional cost to completion currently to be £40k, however, any further delays in receipt of information, or significant issues, will result in additional costs being charged.

Page 183

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Epping Forest District Council
www.eppingforestdc.gov.uk

STATEMENT OF ACCOUNTS 2018/19



Contents

		Page
Narrative Report	by the Chief Finance Officer	3
The Statement of Responsibilities	which explains the various responsibilities of the Council and the Chief Finance Officer for the Statement of Accounts	14
Auditors Report	which sets out the Auditor's opinion on the Statement of Accounts	15
Comprehensive Income and Expenditure Statement (CIES)	which brings together income and expenditure relating to all the Council's activities	16
Movement In Reserves Statement	which is a summary of the increase/decrease in the net worth and resources available to the Council	17
Balance Sheet	which sets out the financial position of the Council as at 31 March 2019	21
The Cash Flow Statement	which summarises the movements in assets, liabilities and capital which have taken place during the period and the resultant effect on cash and cash equivalents	22
The Notes to the Core Financial Statements	detailed notes to all the previous Statements	23
The Housing Revenue Account Income and Expenditure Statement	which shows income and expenditure on the provision of council housing	71
The Movement on Housing Revenue Account Statement	which shows the differences between the income and expenditure and the movement on the Housing Revenue Account balance	72
The Notes to Housing Revenue Account Income and Expenditure Statements	detailed notes to the Housing Revenue Account Statements	73
The Collection Fund	which shows the income and expenditure transactions of the Council as a billing authority in relation to the collection and distribution of the Council Tax and Non-Domestic Rates	79
Annual Governance Statement	which outlines the contents of the Local Code of Corporate Governance and the systems of internal control operating within the Council	82
Glossary of Terms		88
Glossary of Pension Related Terms		97

Further copies of this report are available from the Councils website, following the URL below:
<http://www.eppingforestdc.gov.uk/index.php/home/file-store/category/373-statements-of-accounts>

Narrative Report

1. INTRODUCTION TO EPPING FOREST DISTRICT COUNCIL

Epping Forest District in Essex takes its name from the forest which runs from the Greater London border in the south up through the district northwards. The district also shares boundaries with Hertfordshire and four other Essex districts. The district, which is a mixture of rural and urban areas, has a population of approximately 130,300 people and covers an area of 131 square miles. The key population centres are the commuter towns of Buckhurst Hill, Chigwell and Loughton which are all located in the south of the district and contain more than half of the district's population, but only covers 5% of the total area of the district. Then there are also the market towns of Epping, Waltham Abbey and Ongar and numerous villages and hamlets which are situated in attractive countryside and are scattered across the remaining 95% of the district. The district has good transport links, with both the M25 and M11 running through it and crossing at Theydon Garnon. The area is also serviced by the London Underground Central Line and an over ground rail line.

Most of the district is designated within the protective status of the Metropolitan Green Belt with both Epping Forest and Roding Valley Meadows being sites of special scientific interest. This brings visitors to the district and tourism generates a substantial amount of income for the local economy each year.

The residents of the district are considered to be affluent and enjoy good standards of education with 83% of pupils attending good or outstanding schools; there are 71% of students wanting to go to university; there are low levels of unemployment with many residents commuting to jobs in London and 85% of the residents saying they feel safe. However, there are areas of deprivation with 13% of children in low income families, and there are health issues to tackle with over 20% of adults smoking which is higher than the national average and 64% of adults are overweight. Another issue to address is, that with the life expectancy in the district being higher than the national average, the district has an aging population which puts pressure on both NHS and local government services.

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

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

Forecasts suggest that the population of the district could rise significantly from the current 130,000 over the next twenty years. A key factor in this estimated growth is that life expectancy in the district is higher than the national average and rising;

projections indicate that over 55% of the district's population will be aged over 60 by 2020. Additional properties will be built over the coming years to assist in accommodating the rising population expected.

2. PERFORMANCE ON CORPORATE OBJECTIVES

The previous Corporate Plan ran from 2015 to 2020. A review of this was undertaken in 2017/18 and an updated Corporate Plan was produced. In carrying out the review views were sought from our residents, local businesses, partners, staff and councillors to ensure our plan remained up-to-date and focussed on our customers. The updated Corporate Plan was adopted by full Council on 21 December 2017 and it runs from 2018-2023.

The Corporate Plan 2018-2023 has three interdependent drivers, i.e. the reasons for doing the work we will do, and these have been identified as our corporate ambitions

- Stronger Communities
- Stronger Place; and
- Stronger Council

The financial year 2018/19 is the first year of the Council working towards delivering the ambitions, aims and objectives of its Corporate Plan 2018-2023.

The success of the Corporate Plan is assessed through the achievement of a set of benefits, each measured through one or more performance indicators, focussed on what the Council achieves for customers. During the year the Management Board, the Transformation Programme Board, the Finance and Performance Management Cabinet Committee, Cabinet and select Committees (i.e. the 3 select Committees being Communities, Neighbourhoods and Resources) have had overview and scrutiny roles to drive improvement in performance and ensure corrective action is taken where necessary.

Under each ambition there is a set of strategic aims and each of these is supported by key objectives. Performance against the key objectives has been monitored throughout the year and reported on a quarterly basis to Member meetings of both the Executive and Overview and Scrutiny Committee.

A detailed report on the Council's performance will be presented to the Finance and Performance Management Committee on 20 June 2019. A summary of the performance during 2018/19 is given below.

The 'Stronger Communities' ambition has 3 strategic aims supported by 6 key objectives. During 2018/19 out of the 13 operational objectives set 12 were achieved and 8 of the 9 performance indicators that were measured were achieved.

Stronger communities		
1. People live longer, healthier and independent lives	2. Adults and children are supported in times of need	3. People and communities achieve their full potential
1.1 Supporting healthy lifestyles	2.1 Safeguarding and supporting people in vulnerable situations	3.1 Enabling communities to support themselves
1.2 Promoting independence for older people and people with disabilities		3.2 Promoting culture and leisure
		3.3 Keeping the district safe

The 'Stronger Place' ambition also has 3 strategic aims which are supported by 7 key objectives. During 2018/19 all of the 10 operational objectives set were achieved, however only 4 of the 10 performance indicators that were measured were fully achieved.

Stronger place		
4. Delivering effective core services that people want	5. A district with planned development	6. An environment where new and existing businesses thrive
4.1 Keeping the district clean and green	5.1 Planning development priorities	6.1 Supporting business enterprise and attracting investment
4.2 Improving the district housing offer	5.2 Ensuring infrastructure supports growth	6.2 People develop skills to maximise their employment potential
		6.3 Promoting retail, tourism and the visitor economy

Then finally the 'Stronger Council' ambition has 4 strategic aims supported by 6 key objectives. During 2018/19 all of the 12 operational objectives set were achieved and 6 of the 9 performance indicators that were measured were fully achieved.

Stronger council

7. Customer satisfaction	8. Democratic engagement	9. A culture of innovation	10. Financial independence with low Council Tax
7.1 Engaging with the changing needs of our customers	8.1 Robust local democracy and governance	9.1 Enhancing skills and flexibility of our workforce 9.2 Improving performance through innovation and new technology	10.1 Efficient use of our financial resources, buildings and assets 10.2 Working with commercial partners to add value for our customers

4. FINANCIAL PERFORMANCE

Below is a summary review of net expenditure and financing for 2018/19.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2018/19.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	13,208	13,574	12,854	(354)	(720)
Government Grants and Local Taxation	(12,902)	(12,760)	(12,600)	302	160
(Contribution to)/from Balances	306	814	254	(52)	(560)
Opening Balances - 1/04/2018	(6,726)	(6,726)	(6,726)	0	0
(Contribution to)/from Balances	306	814	254	(52)	560
Closing Balances - 31/03/19	(6,420)	(5,912)	(6,472)	(52)	560

Net expenditure for 2018/19 totalled £12.854 million, which was £0.354 million (2.7%) below the original estimate agreed in February 2018 and £0.720 million (5.5%) below the revised estimate compiled in December 2018.

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

	Original	Revised	Actual	Variance from	Variance from
--	----------	---------	--------	---------------	---------------

General Fund	Estimate £000	Estimate £000	Spend £000	Original £000	Revised £000
Opening CSB	13,361	13,023	12,825	-	-
In Year Growth	1,956	2,271	829	(1,127)	(1,442)
In Year Savings	(3,409)	(3,020)	(1,610)	1,079	700
Total CSB	11,908	12,274	12,044	(48)	(752)
Transfer to/(from) DDF	1,300	1,300	810	490	490
Total All CSB Items	13,208	13,574	12,854	-	-
DDF/ITS - Expenditure	4,940	5,170	3,795	(1,145)	(1,375)
DDF/ITS - One Off Savings/Income	(658)	(2,152)	(1,899)	(1,241)	253
Total DDF/ITS	4,282	3,018	1,896	(2,379)	(1,122)
Total Net Expenditure	17,490	16,592	-	-	-

Continuing Services Budget

Unlike recent years, when measured against the original budget, the actual salaries spend was £99,000 over budget. Actual salary spending for the authority in total, including agency costs, was some £23.44 million compared against an original estimate of £23.34 million. When compared to the revised estimate there was an underspend of £301,000 due to additional vacancies, most of which related to the CSB, although some salary costs are DDF and this showed a small underspend. The actual opening CSB was £27,000 above the original and £317,000 above the revised position. The main overspend against the revised budget relates to Housing Benefits.

The in-year CSB movements were rather different to the revised estimate, with the actual CSB in year reduction of £1,763,000 being £1,082,000 lower than the revised estimate. The largest individual item was a change in accounting treatment for the rental income from the shopping park to that assumed in the revised estimate. In effect, income relating to the whole period of the leases has been spread over the whole period rather than recognising when income is actually received. The effect is that income originally included in later periods has been accounted for in 2017/18 and there is no change overall once all tenants are paying. The other two more significant items were a reduction in expected savings from the leisure contract of £106,000 due to some additional maintenance costs and Transfer of Undertakings Protection of Employees (TUPE) related costs. Offsetting this was additional interest income of £148,000 as cash balances available for investing did not reduce as quickly as expected.

District Development Fund (DDF)

Net DDF expenditure was £1,896,000 which was £2,379,000 below the original estimate and £1,122,000 below the revised estimate. The net expenditure includes a grant received for £1,006,000 which needs to be carried forward to fund the Garden Town Initiative expenditure in future years. There are additional requests for carry forwards totalling £1,290,000. A transfer of £1,800,000 has been made back into the

General Fund Balances to cover the net expenditure. If all the requests are approved (including the grant of £1,006,000) the balance on the DDF at 31 March 2019 will be £124,000. This earmarked reserve is to fund one-off items of expenditure to keep them separate from the ongoing income and expenditure that make up the Continuing Services Budget.

The £1,122,000 difference against the revised estimate arose largely because of the following:

- £403,000 unspent on the Implementation of the People Strategy
- £296,000 slippage on Local Plan expenditure
- £70,000 underspend on temporary additional staff for Revenues
- £38,000 not spent in Electoral Registration on the Individual Registration project
- £68,000 underspend on Planned Building Maintenance
- £50,000 not needing to be spent on Homeless Reduction activities
- and £267,000 relating to slippage on the Garden Town Initiative.

Invest to Save

At the start of 2018/19 the fund had a balance of £307,000. It was anticipated that £123,000 of this would be used during the year. However only £90,000 was used. The remaining balance of £217,000 is earmarked for a carparking capital scheme and for transformation projects in 2019/20.

Housing Revenue Account (HRA)

The table below summarises the revenue outturn for the HRA.

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	24,272	25,661	24,957	685	(704)
Depreciation	10,524	8,531	8,644	(1,880)	113
Total Expenditure	34,796	34,192	33,601	(1,195)	(591)
Gross Dwelling Rents	31,324	31,170	31,083	(241)	(87)
Other Rents and Charges	3,204	2,763	2,546	(658)	(217)
Total Income	34,528	33,933	33,629	(899)	(304)
Deficit / (Surplus) for Year	(268)	(259)	28	296	287
Opening Balance - 01/04/18	2,287	2,287	2,287	0	0
Deficit / (Surplus) for Year	268	259	(28)	(296)	(287)
Closing Balance - 31/03/19	2,019	2,028	2,315	296	287

When the original revenue budget for the HRA was set there was an expected deficit for the year of £268,000. The budget was revised later in the year and the expected deficit for the year reduced slightly to £259,000. However, the actual outturn was a surplus of £28,000. There is therefore a difference of only £287,000 between the revised estimate and the actual.

There have been minor variances across a range of areas. The most significant variance was an underspend of £1.012 million for Supervision and Management when compared with the revised budget. This was largely offset by the spend on repairs and maintenance being £0.706 million higher than the revised budget. Overall the HRA Income exceeded Expenditure by £28,000 which has been added to the balances leaving the Closing Balance at the 31 March 2019 at £2.315 million. This is considered to be a healthy balance and is sufficient to meet any unexpected expenditure.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2018/19.

	Original Estimate £'000	Revised Estimate £'000	Actual Spend £'000	Variance from Original £'000	Variance from Revised £'000
Capital Expenditure					
General Fund	12,125	11,390	10,255	(1,870)	(1,135)
Housing Revenue Account	22,786	18,065	17,256	(5,530)	(809)
Total Expenditure	34,911	29,455	27,511	(7,400)	(1,944)
Financing					
Grants	80	125	540	460	415
Borrowing	10,819	5,960	8,289	(2,530)	2,329
Capital Receipts	4,632	7,832	4,035	(597)	(3,797)
Revenue Contributions	19,380	15,538	14,647	(4,733)	(891)
Total Financing	34,911	29,455	27,511	(7,400)	(1,944)

The General Fund capital programme revised budget was reduced from the original estimate of £12.125 million to £11.390 million when it was reviewed in early 2019, when the original budgets for 2019/20 were being set. The main reason for the reduction was that there had been good progress in building the leisure centre in 2017/18 and so the actual expenditure exceeded the budget for this in 2017/18. The 2018/19 leisure centre budget was reduced by the amount of overspend in 2017/18 to reflect this. Actual expenditure on General Fund capital schemes was lower than the revised budget by £1.135 million at £10.255 million. The underspend can be largely attributed to the spend on several facility management projects being put on-hold awaiting the assessment of the Council's service accommodation review (the Council is currently assessing the use of its main office). There has been some slippage in other schemes for which the budgets will be carried forward into 2019/20.

The HRA capital programme was significantly reduced by £4.721 million at the revised stage from the original estimate of £22.786 million to £18.065 million (a reduction of 21%). There was a rephasing of the Council's housebuilding programme resulting in a reduction in the 2018/19 capital programme of £3.787 million. This has been moved into future years in line with the revised forecasts for construction. The remaining reductions were made to the programme to reflect the Council's decision to change its policy from maintaining council houses at the modern homes standard to maintaining

council houses at the decent homes standards. This has resulted in numerous schemes having large underspends at the year end. The actual spend for the year was £17.256 million, which was an underspend on the revised HRA programme of £0.809 million (4%).

For both the General Fund and the HRA where there have been underspends that are due to slippage in schemes the budgets will need to be carried forward to 2019/20 to allow the schemes to be completed.

The actual financing of the capital programme varied from the revised estimate in that less actual capital receipts were available to be applied than had been anticipated when the programme was revised. Consequently, more of the capital programme has been financed by borrowing than anticipated when the revised budget was set. Also less revenue contributions were required to fund the capital programme than had been expected when the budgets were set.

Balance Sheet

During 2018/19 the Council's Balance Sheet value has increased by £17.1 million to £651.5 million. The improvement in the Balance Sheet total arises primarily from the increase in the value of the Council's investment properties of £46.05 million which now includes the shopping park. The largest figure relating to Property, Plant and Equipment has hardly moved due to the transfer of the shopping park being counteracted by valuation increases to other assets. It is also worth noting that the Council's cash and short term investments have reduced by £17.00 million due to the investment of surplus cash in the Shopping Park and the new Waltham Abbey Sports Centre.

The growth in the Council's Balance Sheet was also helped to a degree by a reduction in Long Term Liabilities of £7.07 million, particularly in respect of the pension fund. This has reduced in the year from £81.12 million to £74.86 million. The assets of the scheme have increased in value by £9.33 million and the liabilities have increased by £3.07 million. The key to calculating the value of future costs is the discount rate and as this decreases the size of the liability increases. The decrease in the discount rate from 2.70% to 2.55% reflects the decreasing yields in the corporate bond market, which actuaries are required to base discount rates on. However, the reduction is marginal hence the comparatively small change in liabilities. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2018. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

5. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process is audited on an annual basis and the Audit & Governance Committee decided that the arrangements for risk management during 2018/19 were effective.

The top risks from the Council's Corporate Risk Register are listed below:

Top Risks identified		
Risk	Impact	Mitigation
Failure to put in place a Local Plan in a timely manner	Loss of control of Local Plan process, reduced ability to defend decisions on appeal	External project management support, regular Member briefings, engagement with stakeholders
Failure to deliver developments on strategic sites	Loss of potential income, sub-optimal economic development, reputational damage	External project management support, overseen by dedicated Cabinet Committee
Welfare reforms changes have a detrimental effect on the Council and the community	Increases in rent arrears, Council tax arrears, evictions and homelessness, costs of temporary accommodation, public dissatisfaction and loss of income for the Council.	Cross-service working group to assess the impact of the introduction of Universal Credit and to meet regularly to develop an action plan to mitigate the impact.
Loss IT systems, data and/or information which could end up in inappropriate hands	Data is used/shared inappropriately causing distress and upset to data subjects. Breach of Corporate Governance. Financial penalties and costs. Legal implications. Reputational damage	Updated Data Protection policy. Mandatory training for all staff and members. Consolidation of Data Protection and FOI work to be done by one team. Continuous monitoring and strengthening of systems and use of controls to prevent unauthorised access to systems
Financial Pressures - Unable to secure required level of income due to reduced demand for services, changes in legislation, changes in economic conditions or adverse change in funding mechanisms	Council unable to meet budget requirements with potentially subsequent need to reduce staffing and services; increase in council tax and fees and charges; use more reserves; achieve higher levels of savings in future years.	Monitoring of key income streams and NDR tax base. Savings opportunities pursued through services reviews and corporate restructure
Failure to achieve strong economic development	Loss of inward investment, reductions in Non-Domestic Rates, reduced employment opportunities for residents	An Economic Development Plan has been developed and presented to the Economic Development Board. Work is underway to implement the plan.

6. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Accounts show the financial performance for 2018/19 and the financial position at 31 March 2019. They present the income and expenditure for the year and highlight any significant changes in the Council's financial position during the year.

The Accounts comprise Core and Supplementary Statements, together with Disclosure Notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), which in turn is underpinned by International Financial Reporting Standards.

The Code requires that the accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern. In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Accounts are quite technical and complex, but the information has been presented as simply and clearly as possible to assist in the understanding of them. This Narrative Report explains the purpose and meaning of the Core (main) Statements below and then goes on to provide a summary of the Council's financial performance for the year 2018/19.

The Core Statements are:

Comprehensive Income and Expenditure Statement (CIES)

This records all of the Council income and expenditure for the year. It can be broken down into two parts. The top part of the statement shows the accounting cost of providing the Council's services. The costs have been grouped into service areas based on the way in which the Council manages and monitors its services' spending throughout the year. This results in a Surplus or Deficit on the provision of services for the year. The bottom part of the statement is where gains and losses relating to the measurement of the Council's assets and liabilities are shown i.e. within Other Comprehensive Income and Expenditure.

Movement in Reserves Statement (MiRS)

This is a summary of the movements that have taken place during the year between the Council's different reserves. The Statement shows the split between 'usable' reserves, i.e. those that can be used to fund expenditure and/or reduce local taxation; and other 'unusable' reserves i.e. these reserves are for specific purposes and cannot be spent.

Balance Sheet

This is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council.

Cash Flow Statement

This shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as the repayment of borrowing and other long term liabilities). The cash flow statement also includes "cash equivalents" which are short-term investments that are subject to only insignificant risks of changes in value.

The Supplementary Financial Statements are:

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts

COUNCILLOR RICHARD BASSETT
CHAIRMAN OF THE COUNCIL

THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code')

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer 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 **3 to 99** give a true and fair view of the financial position of the Council as at 31 March 2019 and the income and expenditure for the year then ended.

Nick Dawe
Chief Finance Officer, Section 151 Officer

Date to be inserted

Auditors Report

TO BE INSERTED

Comprehensive Income and Expenditure Statement

	Note	2018/19			2017/18		
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Continuing Operations							
Chief Executive		2,704	(1,308)	1,396	1,540	-	1,540
Business Services		6,527	(2,357)	4,170	2,189	(238)	1,951
Commercial & Regulatory Services		4,417	(1,988)	2,429	6,868	(1,751)	5,117
Community & Partnership Services		3,940	(683)	3,257	4,156	(777)	3,379
Contract & Technical Services		13,080	(4,683)	8,397	13,076	(3,944)	9,132
Customer Services		39,586	(34,932)	4,654	38,929	(35,063)	3,866
Housing & Property Services		2,146	(1,411)	735	1,119	(650)	469
Planning Services		4,185	(2,745)	1,440	4,617	(1,744)	2,873
Housing Revenue Account		29,627	(34,541)	(4,914)	29,831	(34,632)	(4,801)
Net Cost of Services		106,212	(84,648)	21,564	102,325	(78,799)	23,526
Other Operating Expenditure	9			2,253			849
Financing and Investment Income and Expenditure	10			(983)			(7,997)
Taxation and Non-Specific Grant Income	11			(19,930)			(20,521)
(Surplus)/Deficit on Provision of Services				2,904			(4,143)
(Surplus) on Revaluation of Property Plant and Equipment	12			(8,313)			(21,097)
Actuarial (Gains)/Losses on Pension Assets/Liabilities	32			(11,701)			(10,238)
Other (Gains)/Losses				-			(33)
Total Comprehensive Income and Expenditure				(17,110)			(35,511)

Movement in Reserves Statement

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2017/18	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2017	6,208	3,853	21,098	-	12,704	84	43,947	554,925	598,872
Surplus / (Deficit) on Provision of Services	1,182	2,961	-	-	-	-	4,143	-	4,143
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	31,368	31,368
Total Comprehensive Income and Expenditure	1,182	2,961	-	-	-	-	4,143	31,368	35,511
Adjustment Between Accounting and Funding Basis Under Regulations	(664)	(4,508)	-	-	(1,011)	325	(5,858)	5,858	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	518	(1,547)	-	-	(1,011)	325	(1,715)	37,226	35,511
Transfer to Earmarked Reserves	-	(19)	19	-	-	-	-	-	-
Increase / (Decrease) in Year	518	(1,566)	19	-	(1,011)	325	(1,715)	37,226	35,511
Balance as at 31 March 2018	6,726	2,287	21,117	-	11,693	409	42,232	592,150	634,383

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	6,726	2,287	21,117	-	11,693	409	42,232	592,151	634,383
Surplus / (Deficit) on Provision of Services	(4,415)	1,511	-	-	-	-	(2,904)	-	(2,904)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	20,014	20,014
Total Comprehensive Income and Expenditure	(4,415)	1,511	-	-	-	-	(2,904)	20,014	17,110
Adjustment Between Accounting and Funding Basis Under Regulations	3,596	(2,024)	-	9,781	(2,568)	349	9,135	(9,135)	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(819)	(513)	-	9,781	(2,568)	349	6,230	10,879	17,110
Transfer to Earmarked Reserves	543	563	(1,106)	-	-	-	-	-	-
Increase / (Decrease) in Year	(276)	50	1,106	9,781	(2,568)	349	6,230	10,879	17,110
Balance as at 31 March 2019	6450	2,337	20,011	9,781	9,125	758	48,462	603,030	651,492

Balance Sheet

	Note	31 March 2019		31 March 2018	
		£000	£000	£000	£000
Long Term Assets					
Property, Plant & Equipment	12	775,695		758,853	
Heritage Assets		542		542	
Investment Properties	13	117,011		113,793	
Intangible Assets		676		820	
Long Term Debtors	14	3,123		3,695	
Total Long Term Assets			897,047		877,703
Current Assets					
Inventories		109		94	
Debtors and Prepayments	16	11,754		12,272	
Short Term Temporary Investments	15	16,049		8,014	
Cash & Cash Equivalents	17	507		14,960	
			28,419		35,340
Current Liabilities					
Creditors	18	(17,834)		(15,227)	
Provisions	19	(2,851)		(1,356)	
			(19,089)		(16,583)
Long Term Liabilities					
Long Term Loans	15	(185,456)		(185,456)	
Pensions Liability	32	(66,655)		(74,860)	
Leasing liability	15	(1,163)		(1,745)	
Capital Grant Receipts in Advance		(16)		(16)	
			(254,887)		(262,077)
Total Assets Less Liabilities			651,491		634,383
Reserves					
Usable Reserves	MIRS	48,461		42,232	
Unusable Reserves	20	603,030		592,151	
Total of Reserves			651,491		634,383

The Cash Flow Statement

	Note	2018/19 £000	2017/18 £000
Net Surplus/(Deficit) on Provision of Services		(2,904)	4,143
Adjustments to net surplus or deficit on the provision of services for non-cash movements		18,670	11,691
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(5,423)	(9,079)
		10,343	6,755
Net cash flows from Operating Activities	21	10,343	6,755
Investing Activities	22	(19,338)	(5,538)
Financing Activities	23	2,542	(2,515)
Net Increase or (Decrease) in Cash and Cash equivalents		(6,453)	(1,298)
Cash and Cash Equivalents at the beginning of the reporting period		6,960	6,258
Cash and Cash equivalents at the end of the reporting period	17	507	4,960

Index of Notes to the Statement of Accounts

Note		Page
1	Accounting Policies	24
2	Accounting Standards that have been issued but not yet adopted	34
3	Critical judgements in applying Accounting Policies	35
4	Assumptions made about the future and Other Major Sources of Estimation Uncertainty	35
5	Events after the Balance Sheet Date	35
6	Expenditure and Funding Analysis	37
7	Adjustments between Accounting Basis and Funding Basis under Regulation	40
8	Movements in Earmarked Reserves	42
9	Other Operating Expenditure	43
10	Financing and Investment Income and Expenditure	43
11	Taxation and Non-Specific Grant Income	43
12	Property, Plant & Equipment	44
13	Investment Property	46
14	Long Term Debtors	47
15	Financial Instruments	47
16	Debtors and Prepayments	49
17	Cash and Cash Equivalents	49
18	Creditors	50
19	Provisions	50
20	Usable and Unusable Reserves	50
21	Cashflow Statement - Operating Activities	54
22	Cashflow Statement - Investing Activities	55
23	Cashflow Statement - Financing Activities	55
24	Trading Operations	55
25	Member Allowances	56
26	Officer Remuneration	56
27	External Audit Fees	58
28	Grant & Contributions	58
29	Related Party Declarations	59
30	Capital Expenditure and Capital Financing	59
31	Leases	60
32	Pensions	62
33	Nature and Extent of Risks Arising from Financial Instruments	66
34	Capital Commitments	70

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

The Statement of Accounts has been prepared in accordance with proper accounting practices (under Section 21 of the Local Government Act 2003). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the Accounts and Audit Regulations 2015.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on an accruals basis and are based on the concept of the Council as a going concern whereby local authorities cannot be created or dissolved without statutory prescription.

The significant accounting policies are set out in alphabetical order (1.2 to 1.18) below:

1.2 ACCRUALS OF INCOME AND EXPENDITURE

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and its probable that economic benefits or service potential associated with transaction will flow to the Council.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period of no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are charged with the following amounts to reflect the cost of holding non-current assets during the year:

- depreciation attributable to the asset used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off.
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation, however it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund Balance by way of a Capital Adjustment transaction in the Movement in Reserves' Statement for the difference between the two.

Under the Item 8 Credit and Item 8 Debit (General) Determination issued 24th January 2017 depreciation is charged to the Housing Revenue Accounts. From 1 April 2017 impairment charges and revaluation losses on dwelling assets continue to be reversed out of the Housing Revenue Account post the transitional period and for non-dwelling assets prospectively only from this date. Revaluation gains which reverse a previous impairment and revaluation losses are adjusted for against the Housing Revenue Account Balance.

1.5 COUNCIL TAX AND NON-DOMESTIC RATES

The Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Essex County Council and Essex Police (i.e. the major preceptors which also includes central government for NDR) and as principal, it collects council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

1.6 EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue are of two types:

- those that provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period, the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.7 FINANCIAL INSTRUMENTS

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

1.8 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and the third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Where there are no conditions attached to a grant it should be recognised immediately as income in the CIES. This applies to both revenue and capital grants.

For a grant or contribution where there is a condition that has not been met, then initially it will be recognised the relevant Grants Receipts in Advance Account (i.e. as a Capital or Revenue grant). When conditions have been satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (for non-ringfenced revenue grants and all capital grants) in the CIES.

As capital grants and contributions credited to the CIES are not proper income charges to either the General Fund or HRA they must be reversed out through the MIRS to ultimately end up in the Capital Adjustment Account. If there are no conditions attached and the expenditure to which the grant relates has been incurred then the reversal can

be made directly to the Capital Adjustment Account. However if there are conditions attached then the grant will be recognised in the Capital Grants Receipts in Advance Account until the conditions are met.

Further to this if conditions of a capital grant have been met, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date, then the grant should be reversed out of the CIES through the MIRS to the Capital Grants Unapplied Account. By doing this there is a recognition that the capital grant is not proper income to the General Fund nor HRA and that the capital resources have yet to be applied.

1.9 INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated, but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Under statute revaluation and disposal gains and losses are not permitted to impact on the General Fund Balance and therefore such gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account; sale proceeds greater than £10,000 are posted to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance.

1.10 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee:

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as

expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A financing charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (minimum revenue provision - MRP) is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by the MRP in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor:

Finance Lease

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain and loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long-term lease debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, it is posted out of the General Fund Balance to the Capital Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for

the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.11 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.12 PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.13 PROPERTY PLANT AND EQUIPMENT

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

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring

the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historic cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance the carrying amount of the asset is written down against the relevant service line in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only,

the date of its formal implementation. Gains arising before that date have been consolidated in the Capital Adjustment Account.

Impairment

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for as follows:

- Where there is a balance in the revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives on a straight-line basis. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). 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.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposal and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. These should be:

- Immediately available for sale
- Sale is highly probable
- Actively marketed
- Expected to be sold within 12 months

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as an asset held for sale it is

reclassified again as a non-current asset and valued at the lower of

- its carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale and
- its recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or asset held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal above £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to central government. The balance of receipts remains within the Capital Receipts' Reserve and then can be used for new capital investment (or set aside to reduce the Council's underlying need to borrow). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1. 14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council. Contingent liabilities may arise in circumstances also where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed by way of a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed by way of a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.15 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are unusable reserves and are kept to manage the accounting processes for non current assets, financial instruments, local taxation, retirement and employee benefits are explained in the relevant policies.

1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but which does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the CIES in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves' Statement from the General Fund Balance to the Capital Adjustment Account ensures the accounting principle does not impact on the General Fund Balance.

1.17 VALUE ADDED TAX (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue

and Customs. VAT can only be recovered on partially exempt activities where all such activities account for less than 5% of total VAT on all the Council's activities. VAT receivable is excluded from income.

1.18 FAIR VALUE MEASUREMENT

The Council measures some of its financial and non-financial assets, such as surplus assets and investment properties and some of its financial instruments, at fair value at the end of each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, (assuming that market participants act in their economic best interest).

When measuring fair value of a non-financial asset the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

The Council is required to disclose known or reasonably estimated information relevant to assessing the possible impact on the financial statements of an accounting change that will be required by the application of a new standard that has been issued but not yet adopted in the period of application. The most significant standard which applies for this Council is:

IFRS 16 Leases - this was issued in January 2016 and it became effective for the private sector on 1 January 2019. It removes the existing classifications of operating and finance leases for lessees. It requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) on balance sheet. A lessee will recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing the lessee's obligation to make lease payments for the asset. Thus all material operating leases will be recorded on balance sheet from 1 April 2019 in the private sector. However, following the decision by the government's Financial Reporting Advisory Board (FRAB) in November 2018 to defer implementation for the majority of rest of the public sector, CIPFA/LASAAC has also agreed to delay the implementation of IFRS 16 leases in local authorities until 1 April

2020.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions in the current economic climate of the high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 32. The carrying value of the Pensions Liability is (£68 million).

Fair Value Measurement

The use of the discounted cash flow model to measure the fair value of some of the Council's investment properties and financial instruments are dependent upon significant assumptions for rent growth, void properties and discount rates adjusted for regional factors. Significant changes in any of the inputs would result in a significantly different fair value measurement. The Council's fund manager has provided a sensitivity analysis around a 1% increase in the discount rate used for measuring the fair value of the Council's financial assets and liabilities which is disclosed within the Financial Instrument note 15.

Britain leaving the European Union: asset values and pension liability

There is a high level of uncertainty about the impact of Britain leaving the European Union. There would seem to be three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which scenario will prevail and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption will need to be reviewed regularly.

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer in September. Later events are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. EXPENDITURE AND FUNDING ANALYSIS

2017/18				2018/19		
Net Expenditure Chargeable to General Fund & HRA Balances	Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to General Fund & HRA Balances	Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£000	£000	£000		£000	£000	£000
1,475	65	1,540	Office of the Chief Executive	1,289	107	1,396
1,291	660	1,951	Business Services	2,717	1,453	4,170
4,661	456	5,117	Commercial & Regulatory Services	1,638	791	2,429
3,013	366	3,379	Communities & Partnership Services	2,973	284	3,257
6,159	2,973	9,132	Contract & Technical Services	5,224	3,173	8,397
3,334	532	3,866	Customer Services	4,306	348	4,654
418	51	469	Housing & Property Services	348	387	735
2,687	186	2,873	Planning Services	1,319	121	1,440
(18,510)	13,709	(4,801)	Housing Revenue Account	(16,167)	11,253	(4,914)
4,528	18,998	23,526	Net Cost of Service	3,647	17,917	21,564
(21,065)	(6,604)	(27,669)	Other Income and Expenditure	(3,284)	(15,374)	(18,658)
(16,537)	12,394	(4,143)	(Surplus) / Deficit	363	2,543	2,906
31,159			Opening General Fund and HRA Balance	30,130		
(1,029)			Surplus / (Deficit) on General Fund & HRA Balance in Year	1,332		
30,130			Closing General Fund & HRA Balance at 31 March 2019 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement)	28,798		

Adjustments between Funding & Accounting Basis

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
2018/19	£000	£000	£000	£000
Office of the Chief Executive	0	95	12	107
Business Services	764	674	15	1,453
Commercial & Regulatory Services	743	43	5	791
Community & Partnership Services	214	71	(1)	284
Contract & Technical Services	2,122	1,050	1	3,173
Customer Services	0	345	3	348
Housing & Property Services	0	403	(16)	387
Planning Services	0	115	6	121
Housing Revenue Account	11,131	112	10	11,253
Net Cost of Service	14,974	2,908	35	17,917
Other Income and Expenditure from the Expenditure and Funding Analysis	(15,887)	2,185	(1,672)	(15,374)
Difference between General Fund (Surplus)/ Deficit and Comprehensive Income and Expenditure	(913)	5,093	(1,637)	2,543

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
2017/18	£000	£000	£000	£000
Office of the Chief Executive	0	100	(35)	65
Business Services	(48)	684	24	660
Commercial & Regulatory Services	32	417	7	456
Communities & Partnership Services	204	161	1	366
Contract & Technical	2,647	328	(2)	2,973
Customer Services	0	524	8	532
Housing & Property Services	0	44	6	50
Planning Services	0	177	8	185
Housing Revenue Account	12,973	763	(27)	13,709
Net Cost of Service	15,808	3,198	(10)	18,996
Other Income and Expenditure from the Expenditure and Funding Analysis	(7,027)	780	(357)	(6,604)
Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure	8,781	3,978	(367)	12,392

Expenditure & Income Analysed by Nature

	Office of the Chief Executive	Business Services	Commercial & Regulatory Services	Community & Partnership Services	Contract & Technical Services	Customer Services	Housing & Property Services	Planning Services	Housing Revenue Account	Total
2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(3)	(298)	(1,022)	(551)	(4,041)	(559)	(365)	(1,474)	(33,970)	(42,283)
Government Grants	-	-	(848)	-	(43)	(33,158)	(315)	(1,063)	(14)	(35,441)
Total Income	(3)	(298)	(1,870)	(551)	(4,084)	(33,717)	(680)	(2,537)	(33,984)	(77,724)
Employee Expenses	824	4,622	2,419	2,102	2,224	4,424	1,347	2,801	4,135	24,898
Other Service Expenses	298	772	837	1,208	8,029	1,136	681	958	9,431	23,350
Support Service Recharges	277	(934)	301	367	182	818	(613)	218	4,326	4,942
Asset Charges	-	8	742	131	2,046	-	-	-	11,178	14,105
Benefit Payments	-	-	-	-	-	31,993	-	-	-	31,993
Total Expenditure	1,399	4,468	4,299	3,808	12,481	38,371	1,415	3,977	29,070	99,288
Net Cost of Service	1,396	4,170	2,429	3,257	8,397	4,654	735	1,440	(4,914)	21,564

	Office of the Chief Executive	Business Services	Commercial & Regulatory Services	Community & Partnership Services	Contract & Technical Services	Customer Services	Housing & Property Services	Planning Services	Housing Revenue Account	Total
2017/18	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8)	(327)	(719)	(777)	(3,944)	(587)	(362)	(1,025)	(34,619)	(42,368)
Government Grants	-	(24)	(1,048)	-	-	(34,492)	(288)	(720)	(14)	(36,586)
Total Income	(8)	(351)	(1,767)	(777)	(3,944)	(35,079)	(650)	(1,745)	(34,633)	(78,954)
Employee Expenses	349	4,187	2,161	2,066	679	3,393	375	1,793	3,794	18,797
Other Service Expenses	388	836	1,004	1,105	8,377	1,177	571	1,094	9,127	23,679
Support Service Recharges	811	(3,685)	511	862	1,432	1,006	173	1,731	3,859	6,700
Asset Charges	-	964	3,208	123	2,588	-	-	-	13,052	19,935
Benefit Payments	-	-	-	-	-	33,369	-	-	-	33,369
Total Expenditure	1,548	2,302	6,884	4,156	13,076	38,945	1,119	4,618	29,832	102,480
Net Cost of Service	1,540	1,951	5,117	3,379	9,132	3,866	469	2,873	(4,801)	23,526

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Movements in Unusable Reserves
2018/19	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(2,832)	(8,536)	0	0	0	11,368
Upward/(Downward) revaluation of non-current assets	(494)	(2,351)	0	0	0	2,845
Movements in the fair value of Investment Properties	2,466	0	0	0	0	(2,466)
Amortisation of intangible assets	(208)	(32)	0	0	0	240
Capital Grants and contributions applied	106	224	0	0	210	(540)
Revenue expenditure funded from Capital under statute	(419)	(97)	0	0	0	516
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(709)	(2,597)	0	0	0	3,306
Capital expenditure charged against the General Fund and HRA balances	15	3,650	0	0	0	(3,665)
Reversal of Notional Lease adjustment	559	23	0	0	0	(582)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	261	0	0	0	0	(261)
Adjustments Primarily Involving the Capital Grants Unapplied Account	559	0	0	0	(559)	0
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	59	4,722	(4,781)	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	(956)	0	0	956
Used to finance new Capital Expenditure	0	0	4,035	0	0	(4,035)
Contribution towards administrative costs of non-current asset disposals	0	(30)	30	0	0	0
Contribution to finance the payments to the Government capital receipts pool	(894)	0	894	0	0	0
Adjustment for incorrect use of 1-4-1 receipts in previous years	0	0	(9,004)	0	0	9,004
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	0	24	0	0	0	(24)
Adjustments relating to the Major repairs Reserve						
Depreciation transferred from HRA	0	8,414	0	(8,414)	0	0

Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,982	0	(10,982)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited\credited to the CIES.	(3,752)	(1,340)	0	0	0	5,092
Adjustments involving the Collection Fund Adjustment Account						
Amount by which 1249 and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	1,767	0	0	0	0	(1,767)
Adjustments Involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(80)	(50)	0	0	0	130
Total Adjustments	(3,596)	2,024	(9,782)	2,568	(349)	9,135

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Movements in Unusable Reserves
2017/18	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Adjustment Account: Exclusions						
Charges for depreciation and impairment of non-current assets	(2,890)	(8,509)	0	0	0	11,399
Upward/(Downward) revaluation of non-current assets	(2,251)	(4,346)	0	0	0	6,597
Movements in the fair value of Investment Properties	11,301	10	0	0	0	(11,311)
Amortisation of intangible assets	(197)	(9)	0	0	0	206
Capital Grants and contributions applied	28	706	0	0	0	(734)
Revenue expenditure funded from Capital under statute	(3,224)	(5)	0	0	0	3,229
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(167)	(4,297)	0	0	0	4,464
Capital expenditure charged against the General Fund and HRA balances	47	6,171	0	0	0	(6,218)
Reversal of Notional Lease adjustment	559	23	0	0	0	(582)
Adjustments Primarily Involving the Capital Grants Unapplied Account	379	0	0	0	(325)	(54)
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	0	7,718	(7,718)	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	(1,264)	0	0	1,264
Used to finance new Capital Expenditure	0	0	8,350	0	0	(8,350)
Contribution towards administrative costs of non-current asset disposals	0	(55)	55	0	0	0

Contribution to finance the payments to the Government capital receipts pool	(577)	0	577	0	0	0
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	0	42	0	0	0	(42)
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA	0	8,324	0	(8,324)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,335	0	(9,335)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited\credited to the CIES.	(2,704)	(1,272)	0	0	0	3,976
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	356	0	0	0	0	(356)
Adjustments Involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	4	7	0	0	0	(11)
Total Adjustments	664	4,508	0	1,011	(325)	(5,858)

8. MOVEMENTS IN EARMARKED RESERVES

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

	Balance 31 March 2017	Transfers Out	Transfers In	Balance 31 March 2018	Transfers Out	Transfers In	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Housing Repairs Reserves	1,236	(5,981)	6,000	1,255	(563)	1300	1,992
District Development Fund	4,188	(2,651)	2,683	4,220	(1,800)	0	2,420
Invest to Save Reserve	406	(99)	0	307	(90)	0	217
Self-Financing Reserve	12,720	0	0	12,720	0	0	12,720
Deferred Revenue Income	689	(5)	0	684	0	0	684
Insurance Reserve	1,008	(1)	0	1,007	0	0	1,007
Building Control	115	(4)	0	111	0	47	158
Museum Fund	29	0	44	73	0	0	73
All Weather Pitch	47	0	15	62	0	0	62
O2 Mast Fund	36	0	1	37	0	0	37
Rental Loans	180	(22)	110	268	0	0	268
Small Loans Fund	6	0	0	6	0	0	6
S106 Revenue Contributions	57	(20)	0	37	0	0	37
Community Services Projects	381	(51)	0	330	0	0	330
Total Earmarked Reserves	21,098	(8,834)	8,853	21,117	(2,453)	1,347	20,011

9. OTHER OPERATING EXPENDITURE

	31 March 2019 £000	31 March 2018 £000
Parish Council Precepts	3,481	3,361
Parish Support Grants	67	134
Payments to the Government Housing Pool	894	577
(Gains) / losses on the disposal of non-current assets	(2,190)	(3,223)
Total	2,252	849

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2019 £000	31 March 2018 £000
Total Net Surplus from Trading Operations (Note 24)	(5,864)	(4,185)
Interest payable and similar charges	5,654	5,634
Pensions interest cost	1,912	2,138
Interest receivable and similar income	(194)	(231)
Changes in Fair Value of Investment Properties	(2,467)	(11,311)
Changes in Value of Deferred Capital Receipts	(24)	(42)
Total	(983)	(7,997)

11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March 2019 £000	31 March 2018 £000
Council Tax Income	(12,494)	(11,935)
Non Domestic Rate Income	(14,912)	(14,131)
Non Domestic Rate Tariff Payment and Levy	10,463	10,722
Non-ring fenced Government Grants	(2,657)	(4,457)
Capital Grants and Other Contributions	(330)	(720)
Total	(19,930)	(20,521)

12. PROPERTY, PLANT AND EQUIPMENT

2018/19

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Gross Book Value 01 April 2018	675,541	42,647	19,119	8,374	1,143	7,389	20,364	774,577
Additions	8,822	2,655	1,772	491	0	0	12,269	26,009
Disposals / Impairments	(2,592)	(731)	(1,658)	0	0	0	0	(4,981)
Reclassified in Year	5,933	12,520	(3,147)	0	0	1,246	(16,552)	0
Revaluation Applied to the CIES	(2,351)	360	0	0	0	(739)	(115)	(2,845)
Revaluation Credited to the Revaluation Reserve	3,999	2,238	0	0	0	91	1,985	8,313
Accumulated Depreciation & Impairment Written Off on Revaluation	(8,231)	(3,672)	0	0	0	(137)	(17)	(12,057)
Gross Book Value 31 March 2019	681,121	56,017	16,086	8,865	1,143	7,850	17,934	789,016
Depreciation 01 April 2018	0	(1,378)	(11,097)	(3,244)	0	0	(5)	(15,724)
Reclassified	13	(2,044)	2,181	0	0	(138)	(12)	0
Depreciation in Year	(8,274)	(1,263)	(1,669)	(162)	0	0	0	(11,368)
Depreciation on Disposed Assets	30	278	1,406	0	0	0	0	1,714
Accumulated Depreciation & Impairment Written Off on Revaluation	8,231	3,672	0	0	0	137	17	12,057
Depreciation 31 March 2019	0	(735)	(9,179)	(3,406)	0	(1)	0	(13,321)
Net Book Value 31 March 2019	681,121	55,282	6,907	5,459	1,143	7,849	17,934	775,695

2017/18

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Gross Book Value 01 April 2017	656,792	42,647	18,557	8,185	1,143	8,895	39,782	776,001
Additions	9,119	1,430	1,029	189	0	0	21,374	33,141
Disposals / Impairments	(3,781)	(182)	(467)	0	0	(550)	(12)	(4,992)
Reclassified in Year	7,608	88	0	0	0	0	(41,338)	(33,642)
Revaluation Applied to the CIES	(4,473)	(1,157)	0	0	0	(956)	0	(6,586)
Revaluation Credited to the Revaluation Reserve	18,314	2,225	0	0	0	0	558	21,097
Accumulated Depreciation & Impairment Written Off on Revaluation	(8,038)	(2,404)	0	0	0	0	0	(10,442)
Gross Book Value 31 March 2018	675,541	42,647	19,119	8,374	1,143	7,389	20,364	774,577
Depreciation 01 April 2017	0	(2,236)	(9,951)	(3,086)	0	0	(3)	(15,276)
Reclassified	8	(2)	0	0	0	0	(2)	4
Depreciation in Year	(8,092)	(1,570)	(1,579)	(158)	0	0	0	(11,399)
Depreciation on Disposed Assets	46	26	433	0	0	0	0	505
Accumulated Depreciation & Impairment Written Off on Revaluation	8,038	2,404	0	0	0	0	0	10,442
Depreciation 31 March 2018	0	(1,378)	(11,097)	(3,244)	0	0	(5)	(15,724)
Net Book Value 31 March 2018	675,541	41,269	8,022	5,130	1,143	7,389	20,359	758,853

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried Historical Cost	-	-	16,085	8,866	1,142	-	145	26,251
Valued at Current Value as from:								
28 February 2019	681,122	27,252	-	-	-	6,030	17,790	732,626
28 February 2018	-	9,806	-	-	-	520	-	10,346
28 February 2017	-	5,438	-	-	-	50	-	5,468
28 February 2016	-	2,520	-	-	-	1,250	-	3,770
31 March 2015	-	11,001	-	-	-	-	-	11,001
Total Cost or Valuation	681,122	56,017	16,085	8,866	1,142	7,850	17,935	789,017

The Council dwellings and garages valuation has been carried out by District Valuer, Thomas Dimmock (MRICS). The valuation date for 2018/19 is 28th February 2019. As part of this year's revaluation the valuer has re-assessed the proportion of value in the Land element and concluded that it should remain unchanged at 35%. The valuer has also provided assurance that the valuation has not changed significantly between the valuation date and the year end.

The useful lives of both dwellings and the components within have been reviewed during 2018/19. The average useful life of all components, including the buildings has been assessed from 52 to 54 years. Other property, including investment properties have also been valued as at 28th February 2019 by Charlotte Meyer of Carter Jonas LLP (MRICS FAAV).

Type of Asset	Valuation Method (Years)
Council Dwellings and Garages	15 to 60 years
Other Land and Buildings (buildings element only)	20 to 50 years
Infrastructure Assets	15 to 40 years
Community Assets	Indeterminable
Vehicles, Plant, Furniture and Equipment	5 to 20 years

The main item held within surplus assets is the St Johns Road site. An agreement had been signed with a developer to sell this site to them for retail and housing development; however, this fell through in the early 2018/19. The Council's current proposal is for the Council to develop on the site itself. The proposed development includes retail units, residential property and leisure assets.

13. INVESTMENT PROPERTY

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

	31 March 2019 £000	31 March 2018 £000
Rental income from investment property	7,183	6,169
Direct operating expenses arising from investment property	(1,251)	(1,367)
Net Gain / (Loss)	5,932	4,802

The following table summarises the movement in fair value of investment properties over the year. Unlike in previous years, there have been no new investment properties that have become operational in 2018/19. The two biggest movements in fair values are firstly a gain in value to the Shopping Park (+£2.5m) due to the outstanding three units being let, and secondly, a loss relating to the North Weald Airfield Market License (-£1.9m) after the rent reduced significantly; although most other investment properties categories have seen movements in value. All investment properties have been valued based on Level 3 unobservable inputs using an Income approach and that their current use is their highest and best use. The updated valuations were carried out as at 28

February 2019 by Amy Currie MRICS, RICS Registered Valuer (Senior Surveyor) and Cameron Bengé MRICS, RICS Registered Valuer (Associate) of Carter Jonas.

Properties Categorised within level 3	31 March 2019 £000	31 March 2018 £000
Balance as at 31 March	113,793	67,744
Balance as at 01 April	113,793	67,744
Reclassified in year	0	33,637
Acquisition	0	1,042
Construction	751	59
Net Gains/(Losses) from fair value adjustments	2,467	11,311
Balance at end of the year	117,011	113,793

14. LONG TERM DEBTORS

	31 March 2019 £000	31 March 2018 £000
Capital Advances (B3 Living)	526	526
Rents to Mortgages	2,095	2,071
Loan to Waste Management Contractor	0	725
Home Assist Loans	452	373
Place Loan	50	0
Net Carrying Amount at end of the year	3,123	3,695

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Financial liabilities at amortised cost				
Borrowing	185,456	185,456	0	0
Finance lease liability	1,163	1,745	582	582
Trade creditors	0	0	0	7,426
Total financial liabilities	186,619	187,201	582	8,008
Loans and receivables				
Investments	0	0	8,049	8,014
Debtors	2,547	3,695	0	5,017
Cash	0	0	8,507	14,960
Total financial assets	2,547	3,695	16,556	27,991

On 28 March 2012 the Council borrowed £185.456m from the Public Works Loan Board (PWLb) to pay the Ministry of Housing, Communities and Local Government (formerly the DCLG) on the cessation of the HRA Subsidy System. Accrued interest for each current year is included in creditors on the Balance Sheet.

Income and Expense Gains and Losses

	Financial Liabilities		Financial Assets	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Interest expense	(5,621)	(5,505)	0	0
Fee expense	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	(5,621)	(5,505)	0	0
Interest Income	0	0	194	231
Total income in Surplus or Deficit on the Provision of Services	0	0	194	231
Net Gain / (Loss) for the year	(5,621)	(5,505)	194	231

Fair Values of Assets and Liabilities

Fair value is the amount for which an asset can be exchanged, or a liability settled. Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, i.e. the aggregate of principal and accrued interest.

The Council's outstanding debt at 31 March 2019 consists of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loans on these dates and has rated these at a Fair Level Value 2 (i.e. based on significant observable inputs). The fair value of short term financial liabilities held at amortised cost, including trade payables is assumed to approximate to the carrying amount.

Money market funds are rated at Fair Value Level 1 (quoted prices in active markets). The fair value for financial assets can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions: a) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value; b) the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities held at amortised cost				
Long term borrowing	185,502	216,019	185,502	237,655
Finance lease liabilities	1,163	1,210	2,327	2,473
Total Financial Liabilities	186,665	217,229	187,829	240,128
Financial Assets				
Short term investments	8,049	8,049	8,014	8,014
Long Term Debtors	3,123	3,123	3,695	3,695
Total Financial Assets	11,172	11,172	11,709	11,709

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March) arising from a commitment to pay interest to lenders above current market rates.

The table below shows the effect of a 1% increase in the discount rate used to measure the fair values of the Council's Finance Lease and PWLB liabilities.

Fair Value Sensitivities

Impact of 1% increase on discount rate for fair values (AA Corporate Bond Yield Curve - Bloomberg GBP European AA Composite)	Fair Values	1% increase
	31 March 2019 £000	31 March 2018 £000
Finance Lease	1,192	2,473
PWLB	189,886	214,295
Total	191,078	216,768

16. DEBTORS AND PREPAYMENTS

	31 March 2019 £000	31 March 2018 £000
Government Departments and Other Local Authorities	3,786	5,196
Council Tax Arrears	561	505
NDR Arrears	382	399
Housing Rent Arrears	305	304
Sundry Debtors	6,228	5,192
Prepayments & Deposits	493	676
Total	11,755	12,272

Council Tax and Business Rates arrears shown above and the related bad debt provision relate only to the Council's proportion of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments. In 2018/19 there was a net creditor for both Council Tax and Business Rates.

17. CASH AND CASH EQUIVALENTS

	31 March 2019 £000	31 March 2018 £000
Cash	30	57
Bank Current Accounts	477	4,903
Total Cash and Cash Equivalents	507	4,960

18. CREDITORS

	31 March 2019 £000	31 March 2018 £000
Government Departments and Other Local Authorities	6,460	4,813
Council Tax	245	244
Non-Domestic Rates	392	528
Housing Rents	364	324
Sundry Creditors	5,181	5,323
Accruals and Deferred Income	5,192	3,995
Total Creditors	17,834	15,227

Council Tax and Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as being due to Government Departments and Other Local Authorities. This is shown net of arrears, Collection Fund balance and, in the case of Business Rates, Provision for Appeals. There was a net creditor in relation to Council Tax and Business Rates at the end of 2018/19.

19. PROVISIONS

With the retention of Business Rates income, the Council has had to take on the liability for settling appeals. It has been necessary to make a provision for those appeals within the Collection Fund, the total amount being £3.1 million (£3.4 million 2017/18) of which £1.26 million (£1.35 million 2017/18) relates to this Council.

20. UNUSABLE RESERVES

	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	195,050	189,751
Capital Adjustment Account	471,032	472,766
Pension Reserve	(66,656)	(74,860)
Deferred Capital Receipts Reserve	3,325	4,256
Collection Fund Adjustment Account	2,297	530
Accumulated Absences Account	(422)	(292)
Total Unusable Reserves	604,626	592,151

Revaluation Reserve

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

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

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

	31 March 2019 £000	31 March 2018 £000
Balance as at 01 April	189,751	178,783
Revaluations During the Year	8,313	21,097
Depreciation Adjustment	(2,306)	(2,159)
Disposals / Reinstatements	(708)	(7,970)
Balance as at 31 March	195,050	189,751

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts

	31 March 2019 £000	31 March 2019 £000	31 March 2018 £000
Balance as at 01 April		472,766	452,299
Reversal of items relating to capital expenditure debited or credited to the CIES			
Charges for depreciation and impairment of non-current assets	(10,802)		(10,834)
Depreciation Leased Assets	(566)		(564)
Amortisation of Intangible Assets	(240)		(206)
Reversal of Notional Lease	582		582
Revaluation Gains/(Losses) on Property, Plant and Equipment	(2,845)		(6,586)
Revenue Expenditure Funded from Capital under Statute	(517)		(3,229)
Transfer to Capital Receipts on repayment of loan	0		(351)
Amounts for non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	(3,306)	(17,694)	(4,464)
Adjusting Amounts Written Out of the Revaluation Reserve		3,014	10,129
		458,086	436,776
Capital Financing Applied in the Year			
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	4,035		8,350
Use of the Major Repairs Reserve to Finance New Capital Expenditure	10,982		9,335
Capital Grants Credited to the CIES that have been applied to Capital Financing	540		788
Capital Expenditure Charged against the General Fund and HRA Balances	3,665	19,222	6,218
Asset Restatements		0	(12)
Movement in the Market Value of Investment Properties Debited		2,466	11,311
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances		261	
Adjustment for incorrect prior year use of Capital Receipts		(9,004)	
Balance as at 31 March		471,031	472,766

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

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However,

statutory arrangements require benefits earned to be financed as the Council makes employers contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance of the Pension Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council have set aside to meet them. The statutory arrangements ensure the funding will have been set aside by the time the benefits come to be paid.

	31 March 2019 £000	31 March 2018 £000
Balance as at 01 April	(74,860)	(81,121)
Re-measurements of the net defined liability/(asset)	13,297	10,238
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(10,006)	(8,303)
Employers pensions contributions and direct payments to pensioners payable in the year	4,913	4,326
Balance as at 31 March	(66,656)	(74,860)

Deferred Capital Receipts

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

	31 March 2019 £000	31 March 2018 £000
Balance as at 01 April	4,256	5,094
Rents to Mortgages	24	41
Waste Contractor Loan	(956)	(879)
Balance as at 31 March	3,324	4,256

21. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjustment to surplus or deficit on the provision of services for non-cash movements

	31 March 2019 £000	31 March 2018 £000
Depreciation	10,786	10,817
Amortisation	240	206
Impairment and upward revaluations	2,845	6,597
Increase/(decrease) in creditors	(1,268)	594
(Increase)/decrease in interest and dividend	0	17
(Increase) / decrease in debtors	640	(3,726)
(Increase) / decrease in inventories	(15)	57
Pension Liability	5,093	3,976
Carrying amount of Non-Current Assets sold	3,306	4,464
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	(2,957)	(11,311)
Total	18,670	11,691

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

	31 March 2019 £000	31 March 2018 £000
Any other items for which the cash effects are investing or financing cash flows	(817)	(1,046)
Proceeds from the sale of property and equipment, investment property and intangible assets	(4,606)	(8,033)
Total	(5,423)	(9,079)

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

	31 March 2019 £000	31 March 2018 £000
Interest Received	173	247
Interest Charge for the Year	(5,765)	(5,633)
Other Operating Activities	15,935	12,141
Total	10,343	6,755

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March 2019 £000	31 March 2018 £000
Purchase of Property, Plant and Equipment, Investing Property	(25,960)	(33,502)
Purchase of Short-term and Long-term Investments	(23,000)	(33,000)
Other Payments for Investing Activities	0	0
Proceeds from Sale of Property, Plant and Equipment, Investment	5,535	8,912
Proceeds from Short-term and Long-term Investments	23,000	50,000
Other Receipts from Investing Activities	1,087	2,052
Total	(19,338)	(5,538)

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March 2019 £000	31 March 2018 £000
Billing Authorities - Council Tax and NDR Adjustments	2,542	(2,515)
Total	2,542	(2,515)

24. TRADING OPERATIONS

The trading operations of the Council comprise a number of commercial properties and industrial estates including North Weald Airfield where units are leased to local businesses at market rates, the Fleet Operations Service provides MOT testing and motor servicing to the public. In August 2017 the Epping Forest Shopping Park was opened to the public providing retail services.

	2019 Expenditure £000	31 March 2019 Income £000	2019 (Surplus)/ Deficit £000	31 March 2018 (Surplus)/ Deficit £000
Commercial Properties	255	(2,373)	(2,118)	(1,622)
Fleet Operations	177	(213)	(36)	3
Industrial Estates	42	(1,566)	(1,524)	(1,490)
North Weald Centre	955	(908)	47	206
Shopping Park	103	(2,336)	(2,233)	(1,282)
Total (Surplus) / Deficit	1,532	(7,396)	(5,864)	(4,185)

25. MEMBER ALLOWANCES

	31 March 2019 £000	31 March 2018 £000
Allowances	355	356
Expenses	6	5
Total Member Allowances	361	361

26. OFFICER REMUNERATION

2018/19	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	Total Remuneration including Pension Contributions
Acting Chief Executive	104,103	1,264	15,520	0	120,887
Strategic Director	52,223	819	7,593	0	60,635
Director of Communities	108,172	695	9,289	30,000	148,156
Director of Business Support Services	59,435	1,239	8,365	0	69,039
Director of Commercial & Regulatory Services	59,283	1,239	8,340	0	68,862
Director of Community & Partnerships Services	59,567	1,276	8,392	0	69,235
Director of Contract & Technical Services	60,027	1,285	8,467	0	69,779
Director of Customer Services	59,070	1,245	8,307	0	68,622
Director of Governance & Member Services	50,406	934	7,182	0	58,522
Director of Housing & Property Services	60,219	1,239	8,490	0	69,948
Director of Planning Services	60,309	1,239	8,505	0	70,053
Assistant Director of Resources	65,262	1,244	9,298	0	75,804
Total	798,076	13,718	107,748	30,000	949,542

The Director of Neighbourhoods took on the role of Acting Chief Executive on 23 February 2018. The remuneration given combines pay for both of these roles in the year.

2017/18	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Compensation for Loss of Office	Total Remuneration including Pension Contributions
Chief Executive	114,268	1,351	20,565	0	136,184
Director of Neighbourhoods/ Acting Chief Executive	99,007	1,239	17,910	0	118,156
Director of Communities	94,861	1,277	16,816	0	112,954
Director of Resources	89,647	1,135	15,564	86,217	192,563
Assistant Director of Resources	1,114	0	201	0	1,315
Director of Governance	94,216	1,245	16,959	88,215	200,635
Total	493,113	6,247	88,015	174,432	761,807

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension Contributions relate to Employer's contributions of 18% (17.1% in 2017/18).

The number of employees whose remuneration, including benefits in kind, but excluding employers pension contributions, was £50,000 or more in bands of £5,000.

	31 March 2019 No of Employees	31 March 2018 No of Employees
Remuneration Band		
£50,000 - £54,999	2	4
£55,000 - £59,999	0	3
£60,000 - £64,999	2	8
£65,000 - £69,999	0	3
£75,000 - £79,999	1	0
£80,000 - £84,999	1	0
£85,000 - £89,999	1	0
£90,000 - £94,999	1	0
£100,000 - £104,999	1	0
£135,000 - £140,000	1	1
Total	10	19

The officer listed in the category £135,000 - £140,000 was originally engaged as an independent consultant responsible for the delivery of the Local Plan. The terms of the consultant's engagement were reviewed during the year and as a result they were assessed as being an employee under the legal assessment process for IR35.

	2018/19				2017/18			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band
Exit Package Cost Band (including special payments)								
£0 - £20,000	0	7	7	36,010	0	5	5	44,853
£20,001 - £40,000	0	3	3	85,220	0	1	1	30,000
£40,001 - £60,000	0	4	4	198,543	0	0	0	0
£60,001 - £80,000	0	1	1	75,746	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	2	2	174,432
Total Cost Included in Bandings and in the CIES	0	15	15	395,519	0	8	8	249,285

The Council terminated the contracts of a number of employees in 2018/19, incurring

the above liabilities. Of this total £88,000 was payable to the Director of Governance and £86,000 was payable to the Director of Resources in the form of Compensation for Loss of Office. The remaining values were paid to employees as part of the transformation project.

27. EXTERNAL AUDIT FEES

The following fees have been paid to Deloitte LLP for services carried out by the public sector appointed auditor for the year (BDO LLP in 2018).

	31 March 2019 £000	31 March 2018 £000
External Audit Services (Deloitte)	50	65
Certification of Grant Claims & Returns (BDO)	19	19
Other Services	2	2
Total External Audit Fees	71	86

28. GRANTS AND CONTRIBUTIONS

	31 March 2019 £000	31 March 2018 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	237	744
New Homes Bonus	849	1,981
S31 Small Business Rate Relief	1,518	1,658
Transitional Grant	0	53
Community Projects	39	21
Other	13	0
Total Grants and Contributions	2,656	4,457

	31 March 2019 £000	31 March 2018 £000
Credited to Services		
Department for Work and Pensions	32,792	34,112
Ministry of Housing, Communities and Local Government	1,535	1,466
Homes England (MHCLG)	385	0
Essex County Council	1,724	1,852
Arts Council	1	163
Essex Police, Fire & Crime Commissioner	137	119
Town and Parish Councils	15	31
Broxbourne Borough Council	82	85
Cabinet Office	17	21
National Heritage	77	73
Harlow Borough Council	20	9
East Herts District Council	0	14
Uttlesford District Council	10	9
Housing Associations	18	39

Colchester Borough Council	103	0
Action For Children	28	34
Other	18	21
Total Grants and Contributions	36,962	38,048

29. RELATED PARTY DECLARATIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council, or to be controlled or influenced by the Council. During 2018/19 the only material transaction was expenditure of £191,948 (£146,204 in 2017/18), which was paid to Fortismere Associates via Bloom Procurement Services Limited for personnel management services. The director of the company was employed to act as an interim Assistant Director of Neighbourhoods but became an employee in 1 July 2017 and continues to work for the Council. Fortismere Associates has also provided other project management services to the council in support of the local plan process. The Council holds a Register of Interests in which all members are required to declare any interests in accordance with the code of conduct which is open to the public.

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

30. CAPITAL EXPENDITURE AND FINANCING

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

	31 March 2019 £000	31 March 2018 £000
Opening Capital Financing Requirement	207,077	193,972
Adjustment to Opening Balance to correct for incorrect use of Capital Receipts to finance expenditure	9,004	
Capital Investment		
Property, Plant and Equipment	26,011	33,141
Investment Properties	751	1,100
Revenue Expenditure Funded from Capital Under Statute	517	3,229
Private Sector Housing Loans	100	83
Intangible Assets	132	268
Sources of Finance		
Capital Receipts	(4,035)	(8,350)
Government Grants and Other Contributions	(540)	(813)
Major Repairs Reserve	(10,982)	(9,335)
Direct Revenue Contributions	(3,665)	(6,218)
Minimum Revenue Provision	(261)	0
Closing Capital Financing Requirement	224,109	207,077

31. LEASES

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

The total of future minimum lease payments due within 1 year are:

	31 March 2019 £000	31 March 2018 £000
Assets Leased to Third Parties:		
Land and Buildings		
Shops (including shopping park)	4,881	4,236
Industrial and Commercial	1,274	1,219
Other	780	475
Total Rental Receivable	6,935	5,930

The total of future minimum lease payments due after 1 year are:

	31 March 2019		31 March 2018	
	Receipts Due between 2 & 5 Years £000	Total Receipts Due Thereafter £000	Receipts Due between 2 & 5 Years £000	Total Receipts Due Thereafter £000
Land and Buildings				
Shops (including shopping park)	16,830	28,479	14,499	25,922
Industrial and Commercial	4,382	55,706	4,397	53,572
Other	2,354	30,458	813	23,488
Total	23,566	114,643	19,709	102,982

Gross Amount of Assets Held for Use in Operating Leases:

	31 March 2019 £000	31 March 2018 £000
Land and Buildings		
Shops (including shopping park)	74,751	73,500
Industrial Units	24,443	21,919
Other and Commercial	17,817	18,374
Total Assets	117,011	113,793

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

Notional Lease with Biffa

Under IFRIC 4 the Waste Collection contract is deemed to contain a finance lease. The contract contains a capital element related to the provision of specialised vehicles. The Council has to recognise these assets in its own Balance Sheet together with a liability for a Finance Lease.

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

	31 March 2019 £000	31 March 2018 £000
Vehicle, Plant, Furniture and Equipment	1,163	2,327
Total	1,163	2,327

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

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

	31 March 2019 £000	31 March 2018 £000
Minimum Lease Payments		
Current	582	582
Non Current	1,163	1,745
Finance Costs Payable in Future Years	103	232
Total Minimum Lease Payments	1,848	2,559

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments Net Expenditure		Finance Lease Liabilities Net Expenditure	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Not Later than 1 Year	582	711	582	582
Later than 1 Year and not later than 5 Years	1,163	2,559	1,745	2,326
Total	1,745	3,270	2,327	2,908

32. PENSIONS

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

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

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary, Barnett Waddingham Public Sector Consulting, as at 31 March 2019. The approach to calculating the IAS19 figures in between full actuarial valuations is approximate in nature. Broadly the approach by the Actuaries assumes that the experience of the Fund will be in line with the actuarial assumptions used for IAS19 purposes. The approach adopted by the Actuary follows "IAS 19 - Calculation Guide for Local Authorities".

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2018/19 so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

Essex County Council who manage our pension fund, have advised that our assumption for increases on GMP is, that full pension increases on the GMP element of a member's pension, are paid for by the Fund and therefore we do not expect the liabilities shown in our report to be affected by the outcome of the Indexation and equalisation of GMP in public service pension schemes consultation. The Lloyds ruling does not currently affect the LGPS so we do not believe there is any reason or evidence to take any further action relating to GMP equalisation at this stage.

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

Comprehensive Income and Expenditure Statement	31 March 2019 £000	31 March 2018 £000
Service Cost	8,034	6,116
Net Interest Charged	1,912	2,132
Administration Costs	60	55
Net Charge made to the CIES	10,006	8,303
Re-Measurements in Other Comprehensive Income		
Return on Fund Assets in Excess of Interest	8,664	6,320
Changes in Financial Assumptions	(9,748)	3,918
Change in Demographic Assumptions	12,785	0
Re-Measurement of the Net Assets/(Defined Liability)	11,701	10,238
Pension Assets and Liabilities Recognised in the Balance Sheet		
Present Value of the Funded Obligation	227,685	219,741
Present Value of the Unfunded Obligation	1,411	3,333
Fair Value of Scheme Assets	(162,440)	(148,214)
Net Liability in the Balance Sheet	66,656	74,860

Reconciliation of the fair value of the Scheme Liabilities	Unfunded Liabilities		All Funded/Unfunded Liabilities Local Government Scheme	
	2019 £000	2018 £000	2019 £000	2018 £000
Net pensions liability at 1 April	(3,333)	(3,554)	(223,074)	(220,002)
Current Service Cost	0	0	(6,070)	(6,115)
Interest Cost	(81)	(92)	(5,828)	(5,873)
Change in Financial Assumptions	(57)	25	(9,748)	3,918
Change in Demographic Assumptions	185	0	12,785	0
Liabilities Assumed/(Extinguished) on Settlements	0	0	(3,965)	0
Estimated Benefits Paid	0	0	6,997	5,824
Past Service Cost Including Curtailments	0	0	(935)	(1)
Contributions by Scheme Participants	0	0	(1,133)	(1,113)
Unfunded Pension Payments	279	288	279	288
Net Pension Liability at 31 March	(3,007)	(3,333)	(230,692)	(223,074)

Reconciliation of the fair value of the Scheme Assets	31 March 2019 £000	31 March 2018 £000
Fair Value of the Plan Assets at 1 April	148,214	138,881
Interest on Assets	3,916	3,741
Return on Assets less Interest	8,664	6,320
Administration Expenses	(60)	(55)
Employer Contributions including Unfunded Contributions by Scheme Participants and other employers	4,913	4,326
Estimated Benefits Paid plus Unfunded net of transfers in	(7,276)	(6,112)
Settlement Prices Received/(Paid)	2,936	0
Fair Value of the Plan Assets at 31 March	162,440	148,214

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on assets less interest in the year was £8.7 million (£6.3 million for 2017/18). The major factor in the upward trend in investment returns is due to investments moving away from the more volatile equities market and into Alternative Assets. The weighted average duration of the defined benefit obligation for scheme members is 17 years (17 years in 2017/18).

Scheme History	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000	2014/15 £000
Present Value of Liabilities	(230,692)	(223,074)	(220,002)	(183,640)	(185,018)
Fair Value of Assets	162,440	148,214	138,881	116,659	115,089
Surplus/(Deficit) in the Scheme	(68,252)	(74,860)	(81,121)	(66,981)	(69,929)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £68 million in the balance sheet has decreased the reported net worth of the Council by 12% (12% 2017/18).

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

The total employer contributions expected to be made to the scheme by the Council in the year to 31 March 2020 is £4.2 million. The Service Cost is expected to be £6 million for the year to 31 March 2020.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about life expectancy rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddingham, a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary have been:

	2019 £000	2018 £000
Life Expectancy Assumptions		
Longevity at 65 for current pensioners in years:		
Men	21	22
Women	24	25
Longevity at 65 for future pensioners in years:		
Men	23	24
Women	25	27
Rate of inflation RPI	3.45%	2.35%
Rate of inflation CPI	2.45%	1.35%
Rate of increase in salaries	3.95%	3.85%
Rate of increase in pensions	2.45%	2.35%
Rate for discounting scheme liabilities	2.40%	2.55%

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

	31 March 2019		31 March 2018	
	£000	%	£000	%
Equities	101,133	62.3	96,733	65.3
Gilts	8,622	5.3	9,860	6.7
Other Bonds	9,494	5.8	5,506	3.7
Property	14,443	8.9	14,059	9.5
Cash / Liquidity	4,278	2.6	5,097	3.4
Alternative Assets	15,838	9.8	10,948	7.4
Other Managed Funds	8,632	5.3	6,011	4.0
Total	162,440	100.0	148,214	100.0

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 2017 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

Sensitivity Analysis as at 31 March 2019	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	226,790	230,692	234,664
Projected Service Cost	5,894	6,023	6,155
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	231,071	230,692	230,314
Projected Service Cost	6,023	6,023	6,023
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	234,279	230,692	227,166
Projected Service Cost	6,155	6,023	5,894
Adjustment to Life Expectancy Rating Assumptions	+0.1 year	None	-0.1 year
Present Value of Total Obligation	239,544	230,692	222,172
Projected Service Cost	6,227	6,023	5,825

Sensitivity Analysis as at 31 March 2018	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	219,307	223,074	226,909
Projected Service Cost	5,830	5,957	6,087
Adjustment to Long Term Salary Increase	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	223,438	223,074	222,711
Projected Service Cost	5,957	5,957	5,957
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	226,549	223,074	219,659
Projected Service Cost	6,087	5,957	5,829
Adjustment to Life Expectancy Rating Assumptions	+1 Year	None	-1 Year
Present Value of Total Obligation	231,505	223,074	214,960
Projected Service Cost	6,147	5,957	5,773

33. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2018/19 this was agreed at Full Council on 22 February 2018). The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

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

Credit Risk

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

Investments

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

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2019, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

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

Balances Invested as at 31 March 2019

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	Yes	738	0	0	0	0	738
Local Authorities	Yes	0	0	8,000	0	0	8,000
Money Market Funds	Yes	8,000	0	0	0	0	8,000
Total		8,738	0	8,000	0	0	16,738

Balances Invested as at 31 March 2018

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	Yes	7,045	3,000	0	0	0	10,045
Local Authorities	Yes	5,000	0	0	0	0	5,000
Money Market Funds	Yes	10,000	0	0	0	0	10,000
Total		22,045	3,000	0	0	0	25,045

Debtors

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

	31 March 2019		
	Amount £000	Default Risk Judged %	Bad Debt Provision £000
Sundry Debtors	6,211	42.4	2,635
Housing Arrears	850	64.1	545
Net Charge made to the CIES	7,061		3,180

	31 March 2018		
	Amount £000	Default Risk Judged %	Bad Debt Provision £000
Sundry Debtors	8,365	31.5	2,635
Housing Arrears	859	64.6	555
Net Charge made to the CIES	9,224		3,190

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

Liquidity Risk

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

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2019 was as follows

		31 March 2019 £000	% of Total Debt Portfolio	Cash Flows including Interest £000
Short Term Borrowing	Less than 1 Year	0	0%	5,638
Long Term Borrowing	Over 1 but not Over 2	0	0%	5,678
	Over 2 but not Over 5	31,800	17%	37,478
	Over 5 but not Over 10	0	0%	26,740
	Over 10 but not Over 15	0	0%	26,740
	Over 15 but not Over 20	60,000	32%	85,702
	Over 20 but not Over 25	93,656	51%	100,428
Long Term Borrowing		185,456	100%	282,766

The maturity analysis of the nominal value of the Council's debt at 31 March 2018 was as follows:

		31 March 2019 £000	% of Total Debt Portfolio	Cash Flows including Interest £000
Short Term Borrowing	Less than 1 Year	0	0%	5,575
Long Term Borrowing	Over 1 but not Over 2	-	0%	5,575
	Over 2 but not Over 5	31,800	17%	48,229
	Over 5 but not Over 10	-	0%	26,390
	Over 10 but not Over 15	-	0%	26,390
	Over 15 but not Over 20	30,000	16%	56,390
	Over 20 but not Over 25	123,656	67%	134,334
Long Term Borrowing		185,456	100%	297,308

Market Risk

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. At 31 March 2019, xx% of the debt portfolio was held in fixed rate instruments and xx% in variable rate instruments.

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

	2019 £000	2018 £000
Increase in interest payable on variable rate borrowing	318	318
Increase in interest receivable on variable rate investments	(247)	(176)
Impact on Surplus or Deficit on the Provision of Services	71	142
Share of overall impact debited/(credited) to HRA	71	142

The approximate impact of a 1% fall in interest rates would be as above but with the

movements being reversed. These assumptions are based on the same methodology as used in the Fair Value disclosure note.

Price Risk

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

Foreign Exchange Risk

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

34. CAPITAL COMMITMENTS

The Council is currently in contract with two suppliers for construction works in the Council's Housebuilding Programme. The Council entered into contract with Mulalley & Co Ltd in November 2015 to construct fifty-one new affordable homes at Burton Road, Loughton. The hand-over of these properties is expected to be in September 2019 with the anticipated outturn for this contract being £10.250 million with a spend in 2018/19 of £3.4 million and accumulated actuals up until 31st March 2019 totalling £9.7 million.

In January 2019 the Council entered a contract with Storm Building Ltd to build twelve properties at Queens Road, Epping. The anticipated contract sum is £2.700 million with actuals up until the 31st March 2019 of £1.026 million.

Housing Revenue Account Income and Expenditure Statement

Note	2018/19 £000	2017/18 £000
Income		
3	(31,083)	(31,511)
	(865)	(855)
	(1,556)	(1,743)
	(107)	(515)
1	(18)	(220)
Total Income	(33,629)	(34,844)
Expenditure		
4	6,706	6,157
	9,503	8,779
	2,368	4,693
	532	490
	107	515
8/9	8,644	8,517
	60	61
	64	33
Total Expenditure	27,984	29,245
Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement		
	(5,645)	(5,599)
	701	680
	30	118
Net Cost (Income) of HRA Services		
	(4,914)	(4,801)
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(4,914)	(4,801)
	(224)	(706)
	(2,130)	(3,378)
	5,575	5,510
	(384)	(218)
	(24)	(42)
	0	(10)
	612	684
(Surplus)/Deficit for the Year on HRA Services		
	(1,489)	(2,961)

Movement on Housing Revenue Account Statement

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

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

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

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

Note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

Increase / decrease in the Housing Revenue Account Balance	Note	2018/19 £000	2017/18 £000
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(1,489)	(2,961)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	10	2,024	4,508
Transfers to Earmarked Reserves	10	(563)	19
(Increase)/decrease in the Housing Revenue Account Balance		(28)	1,566
Housing Revenue Account Surplus Brought Forward		(2,287)	(3,853)
Housing Revenue Account Surplus Carried Forward		(2,315)	(2,287)

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

2018/19	Operational Assets						Non Operational Assets	Total £000
	Land £000	Dwellings £000	Garages £000	Vehicles & Equipment £000	Other Land & Buildings £000	Other £000	Investment Properties £000	
Gross Book Value 01 April 2018	236,903	434,218	4,420	3,317	938	18,860	139	698,795
Additions	-	8,821	1	760	-	7,513	0	17,095
Disposals / impairments	(907)	(1,625)	(60)	(360)	-	0	0	(2,952)
Reclassified in year	2,015	4,254	(335)	(186)	(50)	(5,884)	0	(186)
Revaluations applied to the CIES	(823)	(1,528)	-	-	-	(114)	0	(2,465)
Revaluation credited to the Revaluation Reserve	1,415	2,497	87	-	588	1,985	0	6,572
Accumulated depreciation and impairment written off on revaluation	-	(8,072)	(159)	-	(48)	(17)	0	(8,296)
Gross Book Value 31 March 2019	238,603	438,565	3,954	3,531	1,428	22,343	139	708,563
Depreciation 01 April 2018	-	-	-	(2,283)	(43)	(864)	-	(3,190)
Reclassified	-	-	13	53	1	(14)	-	53
Depreciation in year	-	(8,100)	(174)	(176)	(15)	(82)	-	(8,547)
Depreciation on disposed assets	-	28	2	325	-	-	-	355
Accumulated depreciation and impairment written off on revaluation	-	8,072	159	-	47	17	-	8,295
Depreciation 31 March 2019	-	-	-	(2,081)	(10)	(943)	-	(3,034)
Net Book Value 31 March 2019	238,603	438,565	3,954	1,450	1,418	21,400	139	705,529
Net Book Value 01 April 2018	236,903	434,218	4,420	1,034	895	17,996	139	695,605

	Operational Assets						Non Operational Assets	Total
	Land	Dwellings	Garages	Vehicles & Equipment	Other Land & Buildings	Other	Investment Properties	
	£000	£000	£000	£000	£000	£000	£000	
2017/18								
Gross Book Value 01 April 2017	230,730	421,368	4,694	3,239	928	16,189	129	677,277
Additions	-	9,119	-	196	-	11,051	-	20,366
Disposals / impairments	(1,323)	(2,458)	-	(118)	-	(550)	-	(4,449)
Reclassified in year	2,631	5,153	(176)	-	-	(7,830)	-	(222)
Revaluations applied to the CIES	(1,565)	(2,908)	-	-	-	-	10	(4,463)
Revaluation credited to the	6,430	11,776	108	-	12	-	-	18,326
Accumulated depreciation and impairment written off on revaluation	-	(7,832)	(206)	-	(2)	-	-	(8,040)
Gross Book Value 31 March 2018	236,903	434,218	4,420	3,317	938	18,860	139	698,795
Depreciation 01 April 2017	-	-	-	(2,207)	(31)	(783)	-	(3,021)
Reclassified	-	-	8	-	-	(2)	-	6
Depreciation in year	-	(7,878)	(214)	(189)	(14)	(79)	-	(8,374)
Depreciation on disposed assets	-	46	-	113	-	-	-	159
Accumulated depreciation and impairment written off on revaluation	-	7,832	206	-	2	-	-	8,040
Depreciation 31 March 2018	-	-	-	(2,283)	(43)	(864)	-	(3,190)
Net Book Value 31 March 2018	236,903	434,218	4,420	1,034	895	17,996	139	695,605
Net Book Value 01 April 2017	230,730	421,368	4,694	1,032	897	15,407	129	674,257

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 £1,760,062,500 based on stock figures from 31 March 2019 and values as at 1 April 2018. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

The Council was responsible for managing on average 6,375 dwellings during 2018/19 (6,382 in 2017/18). Changes in the stock are summarised below. The figures include 48 units for the homeless at Norway House, North Weald, and 6 wardens' and caretakers' dwellings.

	31 March 2019 £000	31 March 2018 £000
Stock as at 1 April	6,374	6,389
Less: Sales	(23)	(42)
Stock Transfers/Conversions	0	0
Other Movements	0	(1)
New Properties	25	28
Stock as at 31 March	6,376	6,374
Number of: Houses and Bungalows	3,465	3,455
Flats and Maisonettes	2,863	2,909
Other	48	10
Stock as at 31 March	6,376	6,374

3. GROSS DWELLING RENT INCOME

During 2018/19

- 2.40% (1.46% in 2017/18) of all lettable dwellings were vacant.
- Average rents were £96.19 (£96.66 in 2017/18) per week including affordable rents, a reduction of £0.47 or 0.48% (£0.26 or 0.27% in 2017/18) on the previous year
- 46.6% (50.6% in 2017/18) of all Council tenants received some help through rent rebates in 2018/19.
- Rent arrears decreased to £850,037 (£859,096 in 2017/18), which represents 2.73% (2.73% in 2017/18) of gross dwelling rent income.
- The provision for bad and doubtful debts on these arrears amounted to £545,193 (£554,853 in 2017/18).
- Amounts written off during the year totalled £73,875 (£84,015 in 2017/18).
- Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

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

	2018/19		2017/18	
	£000	£000	£000	£000
Balance as at 1 April		(1,255)		(1,236)
Contribution from the HRA	(6,000)		(6,000)	
Other Income	(143)		(176)	
Total Income		(6,143)		(6,176)
Responsive and Void Repaired	4,562		4,151	
Planned Maintenance	2,126		1,978	
Other	18		28	
Total Expenditure		6,706		6,157
Balance as at 31 March		(692)		(1,255)

The amount shown on the face of the Housing Revenue Income and Expenditure

Statement is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the adjustments between accounting and funding basis under regulations (Note 10).

5. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on the contributions payable to the fund in respect of 2018/19; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £4,721,600 in respect of HRA capital receipts during 2018/19 (£7,718,080 in 2017/18). The receipts came from the sale of council houses £4,611,600 (£6,846,420 in 2017/18), and the release of a covenant for £110,000. There were no sales of other HRA land or properties in 2018/19 (£871,660 in 2017/18).

The receipts have been allocated in accordance with the prescribed proportions - £3,177,188 (£4,242,650 in 2017/18) for house building projects, £29,900 (£54,600 in 2017/18) for the administration of the sales, £894,205 (£577,170 in 2017/18) to be paid over to the central government pool, with the remainder of £620,307 (£2,843,660 in 2017/18) available to fund other capital projects.

7. CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

	2019 £000	2018 £000
Capital Expenditure:		
Council Dwellings	8,216	8,530
House Building and Developments	7,279	10,890
Disabled Adaptations	446	594
Plant, Vehicles and Equipment	843	264
Environmental Works	560	171
Total Expenditure	17,354	20,449
Financed by:		
Revenue	3,650	6,165
Major Repairs Reserve	10,982	9,335
Capital Receipts	2,498	4,243
Other Contributions	224	706
Total Financing	17,354	20,449

8. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve. This was originally funded from the Government via Housing Subsidy but is now funded from the HRA directly. The Housing Revenue Account is charged with the depreciation for the year the opposite entry of which is a credit to the Major Repairs Reserve. This income can then be used to fund repairs of a capital nature. The movement on the reserve is as follows:

	2018/19		2017/18	
	£000	£000	£000	£000
Balance as at 1 April		(11,693)		(12,704)
Depreciation Transferred from the HRA	(8,414)		(8,324)	
Used to Fund Capital Expenditure on Council Dwellings	10,982		9,335	
Transferred to the HRA	-		-	
Total Expenditure		2,568		1,011
Balance as at 31 March		(9,125)		(11,693)

9. DEPRECIATION AND IMPAIRMENTS

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to balance sheet values and the average life remaining on the housing stock and its major components. No depreciation is chargeable on the HRA investment assets. The difference between the figure shown on the face of the HRA and Note 8 above relates to £230,000 (2017/18 £193,000) amortisation of intangible assets, other non-dwellings depreciation, revenue expenditure funded from capital and impairments.

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

	2018/19 £000	2017/18 £000
Amounts to be Excluded		
Transfer from Major Repairs Reserve and Other Depreciation Reversals and Impairments	(153)	(194)
Upward Revaluation of Council Dwellings and Garages	(2,351)	(4,346)
Movements in the fair value of investment	0	10
Leaseholder contributions	(107)	(515)
Revenue Expenditure Funded from Capital Under Statute	(98)	(5)
Reversal of notional lease payment	23	23
Valuation changes rents to mortgages	24	42
Gain / (loss) on disposal of HRA Fixed Assets	2,096	3,366
Flexi / leave accruals	(50)	7
HRA share of contributions to / (from) Pensions Reserve	(2,913)	(2,656)
Total of Amounts to be Excluded	(3,529)	(4,268)
Amounts to be Included		
Leaseholder contributions	107	515
Employers contributions payable to the Pension Fund	1,572	1,384
Capital expenditure funded by the HRA	3,650	6,171
Capital contributions applied	224	706
Total of Amounts to be Included	5,553	8,776
Net increase/(decrease) before transfers to / from Reserve	2,024	4,508
Transfers to /from Earmarked Reserves		
Housing Repairs Fund	(563)	19
Total Transfers To Earmarked Reserves	(563)	19
Total	1,461	4,527

11. TRANSFER TO SELF FINANCING RESERVE

The HRA Self-Financing Reserve was set up for the purpose of receiving a transfer of £3.18m per annum to accumulate enough funds to repay the £31.8m variable loan (due to be repaid in March 2022). Whilst this is the stated purpose of the fund the decision does not preclude the use of these funds for another HRA purpose. The balance on the Reserve as at 1 April 2017 was £12.72m, however it was agreed that in 2017/18 the contribution would be suspended leaving the year-end balance unchanged.

The Collection Fund

	Note	2018/19			2017/18		
		Council Tax	Non Domestic Rates	Collection Fund Total	Council Tax	Non Domestic Rates	Collection Fund Total
		£000	£000	£000	£000	£000	£000
Income							
Council Tax	1	(91,371)	-	(91,371)	(86,338)	-	(86,338)
Non Domestic Rates	2	-	(36,807)	(36,807)	-	(36,122)	(36,122)
Total Income		(91,371)	(36,807)	(128,178)	(86,338)	(36,122)	(122,460)
Expenditure							
Precepts and Demands							
Essex County Council		65,440	3,093	68,533	61,711	3,124	64,835
Essex Police		9,053	-	9,053	8,328	-	8,328
Essex Fire Authority		3,770	344	4,114	3,660	347	4,007
Epping Forest District Council		11,647	17,184	28,831	11,250	13,885	25,135
Distribution of Estimated Collection Fund Surplus/(Deficit)							
Essex County Council	3	399	(122)	277	1,122	(45)	1,077
Essex Police		54	-	54	151	-	151
Essex Fire Authority		24	(14)	10	67	(5)	62
Epping Forest District Council		73	(542)	(469)	210	(200)	10
Non Domestic Rate							
Payment to Central Government		-	17,184	17,184	-	17,356	17,356
Repayment of Deficit		-	(678)	(678)	-	(250)	(250)
Transitional Protection		-	(530)	(530)	-	(884)	(884)
Cost of Collection Allowance		-	173	173	-	173	173
Provision for Appeals		-	(226)	(226)	-	1,179	1,179
Provision for Non Payment		234	89	323	92	90	182
Write Offs		190	21	211	292	237	529
Total Expenditure		90,884	35,976	126,860	86,883	35,007	121,890
Deficit / (Surplus) for the Year		(487)	(831)	(1,318)	545	(1,115)	(570)
Balance Brought Forward		(904)	(1,028)	(1,932)	(1,449)	87	(1,362)
Balance Carried Forward		(1,391)	(1,859)	(3,250)	(904)	(1,028)	(1,932)

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: 53,563 for 2018/19, (53,029 for 2017/18). The basic amount of Council Tax for a Band D property £1,613.61 for 2018/19, (£1,538.55 for 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

Income of £91,371,076 for 2018/19 (£86,338,451 for 2017/18) was receivable from council tax payers. An amount of £18,387 (£8,712 in 2017/18) was clawed back from Council Tax payers and passed to the General Fund.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	0	3	5/9	1.67
Band A	1,842	1,474	2/3	982.67
Band B	5,006	4,108	7/9	3,195.11
Band C	11,615	10,326	8/9	9,178.67
Band D	14,020	12,886	9/9	12,886.00
Band E	9,735	9,026	11/9	11,031.78
Band F	6,835	6,432	13/9	9,290.67
Band G	5,932	5,624	15/9	9,373.33
Band H	1,159	1,089	18/9	2,178.00
Total Band D				58,118
Less Band D equivalents entitled to Council Tax Support				3,739
Total Band D Equivalents				54,379
Less Adjustment for Collection Rate				816
Council Tax Base				53,563

2. NON-DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48.0p (small business) and 49.3p (others) in 2018/19, (46.6p (small business) 47.9p (others) in 2017/18) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities

retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2018/19 this Council paid a tariff of £10,466,268 (£10,161,022 in 2017/18).

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

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

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

The total non-domestic rateable value at the year-end was £96,411,876 for 2018/19 (£95,882,746 in 2017/18).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

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

Draft Annual Governance Statement

1. Scope of responsibility

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

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

The Council has approved and adopted a Local Code of Governance (last updated January 2019), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. The code is aligned to the 2016 edition of the CIPFA/SOLACE framework.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6(1) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement (AGS).

2. The purpose of the governance framework

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

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

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

The Council's Code of Governance recognises that effective governance is achieved through the following seven CIPFA/SOLACE principles.

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.

- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management.
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

It is important the Council can demonstrate that its Annual Governance Statement is aligned with its Local Code and the seven CIPFA/SOLACE principles and this is set out in Appendix 1.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2019 and up to the date of approval of this Statement and the Statement of Accounts.

The Governance Framework	
	The key elements of the Council's governance arrangements for 2018/19 were:
1	The corporate plan covering 2018-2023, setting out the Council's priorities and defining the goals to be achieved
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> 2.1 sets out the Council's decision-making framework; 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer); 2.3 includes a scheme of delegation of responsibility, financial regulations and Procurement Rules; and 2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was reviewed and updated during 2018/19
4	There are three Select Committees to cover the Council's corporate ambitions being Stronger Communities, Stronger Place and Stronger Council. In addition, Task and Finish Panels undertake specific reviews and there is a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee
6	An Audit and Governance Committee
7	A Leadership Team consisting of the Chief Executive, Strategic Directors (with one vacant post) and seven Service Directors. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer
8	A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Internal Auditor and other Service Directors as required depending on the agenda, meeting monthly
9	A Corporate Risk Strategy overseen by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal,

	financial, professional, technical, risk management and equalities implications
11	A Medium Term Financial Strategy which informs service planning and budget setting, and the provision of an annual Financial Issues Paper to the Finance and Performance Management Cabinet Committee
12	A comments, compliments and complaints procedure
13	A risk-based approach to internal audit, emphasising the need for sound control, governance and risk management arrangements
14	A robust whistle blowing policy and process (which was updated January 2019 and disseminated) along with anti-fraud and corruption strategy (which was reviewed and approved by Council in December 2018) outlining the Council's zero tolerance approach to fraud and corruption and include anti bribery and anti-money laundering policies.

3. Review of effectiveness

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

The Chief Executive and Service Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;

Documentary evidence of processes, procedures and standards;

A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

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

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

Significant governance issues from previous years and from 2018/19

4. Overall opinion of Epping Forest's governance arrangements

This AGS demonstrates that the Council has sound governance arrangements in place which continue to work well in practice for the 2018/19 financial year. However, the Council is not complacent and areas for improvement or development are detailed in section five.

5. Significant governance issues

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

Table One: Progress on significant governance issues identified in the 2018/19 AGS

No.	Significant issue identified in 2018/19 AGS	Action taken in 2018/19 to address the issue
1	<p>General Data Protection Regulations (GDPR): On 25 May 2018, the EU General Data Protection Regulations came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too. This will be delivered through the GDPR Working Group.</p>	<p>A GDPR action plan owned by the Council's Data Protection Officer is monitored by the Corporate Governance Group in conjunction with Internal Audit to address data protection issues as they arise and to ensure on-going compliance. The number of number of self-reported data breaches to the Information Commissioner's Office during 2018/19 was low, being xx. The ICO took no further action as they placed reliance on the action plan submitted with each notification.</p>
2	<p>Transformation: The Council is embarking on an ambitious transformation programme which involves the delivery of new staff, IT and accommodation strategies and implementation of new processes, structures and technology.</p> <p>This is being delivered through the Transformation Board and overseen by Council.</p>	<p>The transformation project continues to gather momentum. The transformation programme is being overseen by the new Leadership Team and progress reported to Cabinet.</p>

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

Table Two: Areas for improvement or monitoring during 2019/20

No.	Objective	Risk area/action plan for 2019/20
1	<p>Business Continuity Planning (BCP)</p>	<p>An internal audit of BCP found that although there is a corporate Business Continuity plan it is not fit for purpose and contingency arrangements in place inadequate.</p> <p>An urgent project has been initiated to address the concerns raised by Internal Audit which involves a dedicated Officer group working in conjunction with an external specialist. Progress against the project is being closely monitored by the Corporate Governance Group, which is chaired by the Chief Executive.</p>
2	<p>Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives</p>	<p>The implications are being regularly monitored by Leadership Team. The Council liaises with the Local Resilience Forum Lead and with the East of England Local Government Association on Brexit related operational issues and community impact. In turn both these organisations liaise with Ministry for Housing, Communities and Local Government</p>

3	Statutory posts: It is important the Council ensures that the role, responsibilities and standing of the Council's Section 151 Officer and Monitoring Officer complies with legislation (in particular the Local Government and Housing Act 1989) and good practice as the Council's restructure is completed	This will be kept under review by the Leadership Team in consultation with the Monitoring Officer, Section 151 Officer, Internal and External Audit. External legal advice will be obtained if deemed necessary.
Common themes from the Service Assurance Statements were:		
4	Restructure: As a result of the restructure many Officers have/or will be taking on new roles and responsibilities. The Council's scheme of delegation needs to remain robust and fit for purpose. In addition, support and guidance needs to be offered to these Officers	Delegated authorities are being reviewed by the Service Director (Business Services) and is included in the Leadership Team Work Plan. A staff awareness campaign will be undertaken to ensure Officers are aware of their responsibilities regarding corporate policies and training offered as appropriate. This includes Financial Regulations, Procurement Rules, Anti-Fraud and Corruption Policy, Whistleblowing procedure, Code of Conduct and Customer Service Standards.

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

Signed

Georgina Blakemore
Chief Executive

Signed

Councillor Chris Whitbread
Leader of the Council

Appendix 1 Epping Forest Code of Governance

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY & CAPABILITY	PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness and comprehensive stakeholder engagement	Define outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of intended outcomes	Develop the Council's capacity, including the capability of its leadership and the individuals within it.	Manage the Council's risk and performance through robust internal control and strong public financial management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Examples supporting the Annual Governance Statement (AGS) 2018/19						
<p>Constitution sets out code of conduct for Members and staff.</p> <p>Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption.</p> <p>Clear and transparent decision making process. Section 151/Monitoring Officer part of report clearing process.</p> <p>Standards Committee</p>	<p>Published Freedom of Information and complaints/complaints scheme.</p> <p>Publicly available agenda and minutes of meetings.</p> <p>Monitoring and maintaining a record of partnerships.</p> <p>Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p>	<p>2018-2023 Corporate Plan which is supported by service/operational plans.</p> <p>Draft Local plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Green Charter</p>	<p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Corporate approach to project management.</p>	<p>Workforce plan to enhance resource allocation</p> <p>Established induction and training programme for existing and new Councillors.</p> <p>Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p>	<p>Risk management is an integral part of the council's activities and decision making.</p> <p>Internal Audit function that provide assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active Corporate fraud team supporting the Council's Anti-Fraud and Corruption strategy.</p> <p>Medium Term Financial Strategy.</p>	<p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for Service Directors to produce annual assurance statements which feed into the AGS</p>
An active Corporate Governance Group which takes charge of the Annual Governance Statement						

GLOSSARY OF TERMS

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

ACCOUNTING PERIOD

This is the period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the final accounts to recognise income earned and expenditure incurred for both revenue and capital in the financial year, but for which actual payment had not been received or made as at 31 March.

AMORTISATION

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

ANNUAL GOVERNANCE STATEMENT

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

ASSET

An asset is an item having a value to the Council in monetary terms. Assets are categorised as either non-current or current:

- A non-current asset provides benefits to the Council and to the services it provides for a period
- of more than one year and may be tangible e.g. a leisure centre, or intangible, e.g. computer
- software licences.
- A current asset will be consumed or cease to have material value within the financial year e.g. cash
- and stock

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs

BALANCES (OR RESERVES)

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. Unusable reserves, have been established for technical purposes and are not available to spend nor can be used to fund service provision.

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

non-current and net current assets employed in its operations together with summarised information on the non-current assets held.

CAPITAL EXPENDITURE

This is the expenditure on the acquisition, construction, enhancement or replacement of a non-current asset such as land, buildings, and computer. It is expenditure that enhances and improves the use of the assets. It isn't expenditure that merely maintains the value of an existing asset.

CAPITAL ADJUSTMENT ACCOUNT

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants 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 and are paid for by council tax payers.

CAPITAL FINANCING

Funds used to pay for capital expenditure. There are various sources of funding available to finance capital expenditure including borrowing, leasing, revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT

This measures the change in the underlying need for the council to borrow to finance capital expenditure. Where all capital expenditure is financed when it is incurred by resources generated by the council, e.g. revenue contributions, grants and capital receipts, the Capital Financing Requirement (CFR) will not increase. However if borrowing is required to finance capital expenditure then the CFR will increase. The annual minimum revenue provision will be applied to reduce the CFR each year and capital receipts can also be used to reduce the CFR.

CAPITAL RECEIPT

A capital receipt is the proceeds from the disposal of land or other non-current asset. The government regulates the proportion of capital receipts that can be used to finance new capital expenditure. Capital receipts cannot ordinarily be used to finance revenue expenditure.

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.

CIPFA

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE EXPENDITURE AND INCOME STATEMENT (CIES)

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

CONSISTENCY

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

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.

CONTINGENT LIABILITIES

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- a current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

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

CORPORATE AND DEMOCRATIC CORE

This includes all the activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The costs of these activities are those that are over and above those that would be incurred by a series of independent, single-purpose nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

COUNCIL TAX

A local tax on dwellings within the district, set by billing authority (Epping Forest District Council) and the precepting authorities (the county council, fire and rescue services, the police and town and parish councils). It is calculated by taking the revenue expenditure requirements for each authority divided by the council tax base for the year.

CREDITORS

Amounts owed by the Council for goods and services that it has received before 31 March, but that have not been paid for at that date.

DEBTORS

Amounts owed to the Council for goods and services that it has provided before 31 March, but where the associated income was not received at that date.

DEPRECIATION

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

FAIR VALUE

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

FINANCE LEASE

This is 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.

GENERAL FUND

This is the account where all the costs of providing the Council services (with the exception of the landlord services, the costs of which sit in the HRA and Local Council precepts) are charged to which are then paid for from Council Tax and government grants.

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING REVENUE ACCOUNT

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

IMPAIRMENT

This is a reduction in the carrying value of a non-current asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

INTANGIBLE ASSETS

This is expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be

recognised as an intangible asset it must yield future economic benefits to the council. One of the most common examples would be software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

INVESTMENT PROPERTIES

An interest in land and/or buildings:

- in respect of which construction work and development have been completed; and
- which are held for their investment potential, any rental income being negotiated at arms length.

LIABILITY

A liability exists where the Council owes payment to an individual or another organisation

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LONG TERM DEBTORS

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

MINIMUM REVENUE PROVISION (MRP)

This is the minimum amount that the Council must charge to the CIES each year to provide for the repayment of General Fund debt.

MOVEMENT IN RESERVES STATEMENT

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

NON-DOMESTIC RATES (NDR) ALSO KNOWN AS BUSINESS RATES

Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally (currently 50%). This money,

together with revenue from council tax payers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

NET BOOK VALUE

The amount at which non-current 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

This is 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

Non-current 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

Non-current 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

These are 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.

PRECEPT

The levy (demand for money) made by precepting authorities (the authorities with the power to instruct another local authority (the billing authority) to collect an amount from council tax on their behalf). Precepts are demanded by the county council, fire and rescue services, the police and pariah and town councils.

PRIOR YEAR ADJUSTMENTS

These are 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.

PROPERTY, PLANT AND EQUIPMENT

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

PROVISIONS

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

- the local authority has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- 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;

- 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
- as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

PRUDENCE

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

PRUDENTIAL CODE

Since 1 April 2004, local authorities have been subject to a self-regulatory “prudential system” of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority’s capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government can borrow itself. Virtually all borrowing undertaken by local authorities comes from the PWLB.

RELATED PARTIES

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

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- 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
- 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.

Advice from CIPFA is that related parties to a local authority include Central Government, precepting bodies or bodies levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

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:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- 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.

REMUNERATION

This is all sums paid to or receivable by an employee and any sums due by way of expenses and allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

REVALUATION RESERVE

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

REVENUE EXPENDITURE

These are the day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

STOCKS

These are items of raw materials and stores a Council has procured and holds in expectation of future use. Stock comprises the following categories:

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

THE CODE

The Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. There are also accompanying guidance notes for practitioners.

UNAPPORTIONABLE CENTRAL OVERHEADS

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

GLOSSARY OF PENSIONS RELATED TERMS

ACTUARIAL GAINS AND LOSSES

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

- actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or
- 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:

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

This is 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.

IAS19

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (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.

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

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.

PENSION SCHEME LIABILITY

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PROJECTED UNIT METHOD - PENSION FUND VALUATION

This is 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:

- 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
- 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:

- an employer's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept redundancy in exchange for those benefits,

because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- 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:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits, and
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.