

Supplementary Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Monday, 19th June, 2006

Place: Civic Offices, High Street, Epping
Room: Council Chamber
Time: 6.00 pm
Committee Secretary: Graham Lunnun, Research and Democratic Services
Tel: 01992 564244 Email: glunnun@eppingforestdc.gov.uk

9. STATUTORY STATEMENT OF ACCOUNTS - 2005/06 (Pages 3 - 82)

Attached.

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***STATUTORY STATEMENT
OF ACCOUNTS***

***Financial Year
Ending 31 March 2006***

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STATUTORY STATEMENT OF ACCOUNTS 2005/06

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Further copies of this report are available from the Head of Finance at the Civic Offices, High Street, Epping, ESSEX, CM16 4BZ

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INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

It is a pleasure to be able to start this year's introduction with some positive comments about the new grant allocation system that was unveiled during the year. After three settlements under the previous system, the new system has been introduced to produce a two-year settlement for 2006/07 and 2007/08 with the intention of providing three-year settlements in the future.

Epping Forest District Council has received floor support for many years and in 2005/06 this was worth some £412,000 to the authority. This is a significant amount of funding and the continuation of floor support had been a major concern. As the Council has benefited from the formula changes it is now in a position of contributing to the floor to support others.

As the government no longer provides assumed national council tax or formula-spending share figures direct comparisons with previous years are extremely difficult. The position on comparability is made worse by the changes in responsibility and the additional spending due to changes like concessionary fares. The Government has attempted to provide an indication of relative changes by re-stating the 2005/06 figures on the new basis, see table below.

	Original 2005/06 £m	Adjusted 2005/06 £m	2006/07 £m	2007/08 £m
Formula Grant	7.299	7.918	8.627	9.161
Increase £	n/a	0.619	0.709	0.534
Increase %	n/a	8.48%	9.0%	6.2%

These substantial increases in grant and the certainty of a two-year settlement allow us to plan positively for subsequent financial years and I will return to this theme in the final section of the Foreword.

The Council's debt free status has again been rewarded in 2005/06, as debt free authorities have continued to benefit from transitional relief from the Government's pooling requirements for capital receipts. This benefit was worth £3.2 million in 2004/05, but reduced in 2005/06 to £1.6 million. In part this was due to a reduction in council house sales but also the percentage eligible for relief reduced from 75% to 50%. The final year of the scheme is 2006/07, when the percentage is reduced down to 25%.

The Consolidated Balance Sheet (Note 21, page 29) shows that the pensions liability for the Council has reduced in the year from £38.1 million to £37.4 million. The inclusion of this amount in the Balance Sheet shows the extent of the authorities liability if the pension fund was to close on 31 March 2006. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

The year-end position is generally better than was anticipated when the revised estimates were set. A predicted General Fund surplus of £329,000 has increased to £968,000, whilst the Housing Revenue Account has achieved a surplus some £357,000 better than the revised estimate. The next section provides more detail on both the revenue and capital outturn for the year.

SUMMARY OF OUTTURN

The following tables provide a summary review of net expenditure and financing for 2005/06.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2005/06.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	14,255	13,955	13,316	(939)	(639)
Government Grants and Local Taxation	14,284	14,284	14,284	-	-
(Contribution to) Balances	(29)	(329)	(968)	(939)	(639)
Opening Balances – 1/4/05	(5,488)	(5,488)	(5,488)	-	-
(Contribution to) Balances	(29)	(329)	(968)	(939)	(639)
Closing Balances – 31/3/06	(5,517)	(5,817)	(6,456)	(939)	(639)

Net expenditure for 2005/06 totalled £13.316 million, which was £939,000 (6.6%) below the original estimate and £639,000 (4.5%) below the revised. When compared to a gross expenditure budget of approximately £60 million, the variances can be restated as 1.6% and 1.1% respectively.

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

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	14,156	13,687	13,323	(833)	(364)
In Year Growth	495	808	701	206	(107)
In Year Savings	(491)	(690)	(858)	(367)	(168)
Total Continuing Services Budget	14,160	13,805	13,166	(994)	(639)
DDF – Expenditure	1,613	2,450	1,693	80	(757)
DDF – One Off Savings	(691)	(2,235)	(2,188)	(1,497)	47
Total DDF	922	215	(495)	(1,417)	(710)
Appropriations	(827)	(65)	645	1,472	710
Net Expenditure	14,255	13,955	13,316	(939)	(639)

Continuing Services Budget

CSB expenditure was £994,000 lower than the original estimate and £639,000 lower than the revised. The variances have arisen on both the opening CSB, £364,000 lower than the revised estimate and the in year figures, £275,000 lower than the revised estimate.

The savings on the opening CSB relate to staff savings due to vacancies. Actual salary spending for the authority in total, including agency costs, was some £18.8 million compared against an original estimate of £19.4 million. Other notable savings included Non HRA Rent Rebates probably due to the work of the Homeless prevention officers and the Fresh Start Scheme. The increase to the Bad Debt provision was less than expected due to improved sundry debt collection. There were also a number of other areas where savings or extra income occurred such as Environmental Co-ordination, Youth Strategy and Depots.

The saving on the in year CSB arose in a number of areas. Court costs arising from the non payment of NNDR and Council Tax was higher than expected. There were savings over and above those anticipated on the leased car scheme. Recruiting staff after the ICT restructure has proved more difficult than expected and the charges from the County Council in relation to Land Charges work were not as high as expected.

District Development Fund

Net DDF expenditure was £1,804,000 below the original estimate and £1,097,000 below the revised. There are requests for carry forwards totalling £575,000 and therefore the variation actually equates to a £135,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The DDF increased between the Original and Revised position by some £388,000, this was due to a mixture of items brought forward from 2004/05 and new items identified during 2005/06. There were also three items of income to the General Fund totalling £1,095,000 which have then been credited to the DDF.

Four Portfolios saw underspends in excess of £100,000 on their DDF when compared to the revised estimate. Much of this is slippage, for example unspent Planning Delivery Grant and local plan work.

The crediting of additional income items and the large under spend mean the balance on the DDF has increased to £3 million. Although some of this is committed to financing the present programme there is some £1.02 million DDF monies that are at this time unallocated.

Appropriations

The only variation on appropriations arise from the under spend on the DDF.

Housing Revenue Account

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

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	12,013	11,867	11,786	(227)	(81)
HRA Subsidy Payable	7,746	7,746	7,749	3	3
Asset Rentals	27,966	30,204	27,048	(918)	(3,156)
Total Expenditure	47,725	49,817	46,583	(1,142)	(3,234)
Gross Dwelling Rents	20,727	21,216	21,201	(474)	15
Other Rents and Charges	4,082	4,089	4,236	(154)	(147)
Total Income	24,809	25,305	25,437	(628)	(132)
Net Cost of Service	22,916	24,512	21,146	(1,770)	(3,366)
Interest and Other Transfers	1,536	1,474	1,560	(24)	(86)
Reversal of Asset Rentals	23,377	25,615	22,459	918	3,156
Net Operating Income	(1,997)	(2,577)	(2,873)	(876)	(296)
Appropriations					
Capital Expenditure Charged to Revenue	1,600	2,000	2,000	400	-
Other	154	169	108	(46)	(61)
Surplus for Year	(243)	(408)	(765)	(522)	(357)
Opening Balance – 1/4/05	(4,834)	(4,834)	(4,834)	-	-
Surplus for year	(243)	(408)	(765)	(522)	(357)
Closing Balance – 31/3/06	(5,077)	(5,242)	(5,599)	(522)	(357)

The surplus within the HRA was £522,000 greater than its original revenue budget, and some £357,000 greater than the revised estimate. The main differences between the actual figures and the revised estimates were the additional income from other charges and interest of £233,000 and a saving on Management and Maintenance costs of £81,000. The latter relating in the main to employee related costs.

The asset rentals charged to the HRA and the associated “below the line” reversal are based on the value of the dwellings and as a result any change in dwelling values has a direct impact on these charges. The actual charge was some £1 million lower than the original estimate, and £3.2 million lower than the revised. However as can be seen above the variation has no net impact on the HRA.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2005/06.

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Non-Housing	4,495	2,691	2,431	(2,064)	(260)
Housing	9,911	8,049	7,106	(2,805)	(943)
Total Expenditure	14,406	10,740	9,537	(4,869)	(1,203)
Grants	842	564	727	(115)	163
Capital Receipts	6,692	3,512	4,075	(2,617)	563
Revenue Contributions	6,872	6,664	4,735	(2,137)	(1,929)
Total Financing	14,406	10,740	9,537	(4,869)	(1,203)

The table identifies a net underspend of £1,203,000, some of which has been established as genuine savings. However, the majority represents slippage and expenditure has therefore currently been re-phased into 2006/07. The main areas of slippage relate to ICT and traffic schemes, on the non-housing items, and structural schemes and non-cost reflective repairs, on the housing programme.

The number of Council house sales increased substantially in the last few months of the financial year, with the total of 40 exceeding the estimated number of sales by 10. This still represents a considerable reduction against previous years sales of 61 and 139, for 2004/05 and 2003/04 respectively. However, the prudent estimate of sales, and hence transitional receipts, meant the revenue contribution necessary to finance the programme was over estimated. There were no other significant receipts in the year, although the Parade Ground Site has been sold early in 2006/07.

THE FUTURE

In my introduction I mentioned the new grant allocation mechanism for 2006/07 and 2007/08 and the fact that this Council will benefit from the new system. Having a good two-year settlement allows us to look forward positively and plan for the medium term. However, the Government has now commenced a fresh Comprehensive Spending Review and there are likely to be further significant changes to the funding system, with all local authorities receiving three-year settlements from April 2008.

In launching the new mechanism the Government assured authorities that the system of floors and ceilings would continue as part of any future system. This was widely welcomed as the Government had previously stated that this system was not sustainable in the long term. Under the previous grant allocation system withdrawal of the floor would have cost this Council in excess of £400,000 p.a. Under the new system for grant allocation this Council no longer receives floor support but instead suffers a reduction in grant of £490,000 in 2006/07 and £189,000 in 2007/08 to support the floor for others. This loss of grant is regrettable and some have questioned the sense of changing allocation formulas and then limiting their effect by retaining floors and ceilings. However, the anxiety around what the next grant allocation system might bring in 2008/09 is reduced by knowing that the Council should at least get a floor increase on top of the increases for 2006/07 and 2007/08.

The next grant allocation system will be influenced by the outcome of the Lyons Review, which is considering reforming the Council Tax, returning National Non-Domestic Rates to local control and local income tax. A change that the Government has now backed away from is Council Tax re-banding, although this may surface again in the future.

The Council is in a challenging period of significant organisational change. During 2005/06 the Highways Agency reverted to Essex County Council and four leisure centres came under external management. The next major change to be addressed is the Customer Services Transformation Programme, with the possible provision of a customer contact centre. This will involve re-engineering a number of business processes to split front and back office roles and place the customer more clearly at the heart of the Council's activities.

On 22 March 2005 the Chancellor announced further changes to concessionary fares. A major change was introduced from 1 April 2006, so that older and disabled people will be able to travel free in their local areas, instead of at half fare. Rather than allowing this fundamental change to bed down and a detailed assessment of the additional costs to be undertaken before moving on additional changes have been announced. From 1 April 2008 the restriction on travel outside the district or scheme boundaries will be lifted so that people over 60 and the disabled will be able to travel free on any local bus across England.

Given the above, it is clear that whilst the General Fund revenue balances are higher than anticipated they still need careful management. The current policy stipulates that the balances should not go below 25% of net budget requirement. This would allow the balances to fall to approximately £4.36m if budget projections are to increase in line with expectations: the net budget requirement is expected to have reached £17.4m by 2009/10. The current balance stands at just under £6.5 million. As part of the budget setting process Members approved an updated four-year forecast for the General Fund that included deficit budgets from 2007/08 onwards to reduce balances in a controlled way.

Cabinet approved an updated five-year forecast for the Housing Revenue Account on 6 March 2006. Members agreed that HRA balances should be maintained within the range of £3 to £4 million, which is significantly lower than their current level of £5.59 million. In order to achieve the desired reduction additional revenue contributions to capital outlay have been planned. There is still a considerable capital programme for the HRA and the next four years will see a spend of nearly £25 million. It is anticipated that the financial strength of the HRA should allow the Decent Homes Standard to be achieved ahead of the Government target of 2010.

The four-year programme of non-housing capital investment totals £12.9 million. Civil Engineering and Maintenance has the largest programme, with some £5.3 million being spent. The other major projects in the programme include £2.5 million for the Customer Services Transformation Programme together with another £1.7 million for other IT projects, £2.9 million for the town centre enhancement scheme at Loughton Broadway and some £1.8 million for Bobbingworth Tip.

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

Robert Palmer BA ACA
Head of Finance

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2005. The Code of Practice has been developed by the CIPFA/LASAAC Joint Committee in accordance with the Accounting Standards Board's code of practice for the development of Statements of Recommended Accounting Practice (SORPs).

The Code of Practice is based on approved accounting standards and the Urgent Issue Task Force's Abstracts extant at 30 September 2004, except where these are inconsistent with specific statutory requirements, and supersedes previous Codes of Practice. The Code of Practice constitutes a 'proper accounting practice' under the terms of section 66(4) of the Local Government and Housing Act 1989.

2. ACCOUNTING CONCEPTS

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

Going concern – the accounts have been drawn up on the basis that the authority is going to continue in its operational existence for the foreseeable future.

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

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

3. ESTIMATION

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

4. FIXED ASSETS

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

Fixed assets were originally valued and recorded in the accounts as at 1 April 1994. These valuations were based upon certificates issued by the Council's Chief Valuer and Estates Surveyor. Additions since that date are included in the accounts at cost. The Council has a rolling programme of revaluations under which all assets will be revalued over five years. A loss in value from other impairments, such as obsolescence or decline in Market value, is taken to the fixed asset restatement reserve.

Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use. Investment properties are included in the balance sheet at the lower of net current replacement cost and net realisable

STATEMENT OF ACCOUNTING POLICIES

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

Where assets are acquired under leases, the leasing rentals payable are charged to revenue. The cost of assets and the related liability for future rentals payable are not shown in the balance sheet but are disclosed in the notes. (See Note 2, Page 11).

Where a fixed asset has been disposed of, income derived is credited to the usable capital receipts reserve, and accounted for on an accruals basis. Where applicable, the proportion reserved for the repayment of external loans is credited to the capital financing reserve. Upon disposal, the net book value of the asset is written off against the fixed asset restatement account. (See Note 13, Page 26).

5. DEPRECIATION

In accordance with the provisions of FRS 15, assets are depreciated on a straight-line basis over their useful economic life. The only general exceptions to this are freehold land and non-operational investment properties. Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

6. INTANGIBLE ASSETS

Intangible Assets are payments of a capital nature where no fixed asset is created but which are expected to yield future economic benefits to the Council. Previously improvement and reinstatement grants were included as deferred charges however they do not fall into the category of intangible assets and therefore they have been written out of the accounts.

7. BASIS OF CHARGES FOR CAPITAL

Asset charges are made to users at the minimum level required under the Accounting Code of Practice. Such charges cover the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet. Currently this rate is 3.5% for Assets held at Current Values and 4.8% for those held at historic cost. The charge met by the Housing Revenue Account is an amount determined by statutory provision (currently 3.5%).

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

Amounts set aside from revenue:

- to finance capital spending, or
- As transfers to other earmarked reserves

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

Amounts are no longer set aside for the repayment of debt, as the Council has been debt free throughout the period.

STATEMENT OF ACCOUNTING POLICIES

8. CAPITAL EXPENDITURE CHARGED TO REVENUE

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

The Council has also obtained capitalisation directions for additional pension contributions made during 2005/06 of £579,803 (General Fund) and £271,846 (Housing Revenue Account). These amounts have been charged to a capital reserve that was specifically established for this purpose.

A capitalisation direction has also been received enabling the transfer of £270,000 from capital balances to the General Fund Revenue Account in respect of the Commutation Adjustment arising from past grant commutation.

9. INVESTMENTS

Investments are shown in the Consolidated Balance Sheet at cost.

10. STOCKS AND STORES

Separate stores are maintained in the Fleet Operations and Building Maintenance Services. Leisure Centres stocks were transferred to the leisure management contractor when the management of the leisure centres was outsourced in January 2006. Stores are valued in the accounts at the lower of cost or net realisable value.

11. DEBTORS AND CREDITORS

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and FRS 5. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar periodic receipts and payments, which are charged at the date or meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

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

12. CAPITAL RECEIPTS

Capital Receipts from the sale of assets are treated in the accounts as laid down by regulations made under the Local Government Act 2003. Under the act 75% of council house sales and 50% of other Housing Revenue Account asset sales must be paid over to a pool for re-distribution. There are however transitional arrangements in force for debt free authorities whereby some of the poolable receipts can be retained providing they are spent on housing. In 2005/06 the transitional arrangements mean that of the 75% poolable amount 50% can be retained. The amount that remains with the Council is credited to usable capital receipts and is therefore available to fund capital expenditure.

STATEMENT OF ACCOUNTING POLICIES

13. GOVERNMENT GRANTS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other capital contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset, to match the depreciation of the asset to which it relates. (See Note 11, Page 26.) Grants and contributions towards deferred charges are written out directly against the relevant deferred charge within the revenue account. Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals have been made for balances known to be receivable for the year to 31 March 2006.

14. COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

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

15. PROVISIONS

The Council sets aside provisions for specific future expenses or losses, which are likely or certain to be incurred, but uncertain as to the amount or the dates on which they will arise. The only provision included is for bad and doubtful debts (Note 6, Page 25).

16. RESERVES

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

There are two statutory reserves, which have subsequently been renamed as 'Accounts' within the consolidated balance sheet. These are the fixed assets restatement account, which represents the balance of the surplus or deficits arising on the periodic revaluation of fixed assets; and the capital financing account, which represents amounts set aside from revenue resources or capital receipts and grants to finance expenditure on fixed assets or for the repayment of external loans. (See also Notes 11/12/16 on pages 26 and 28 and the Statement of Movements in Total Reserves on page 32).

17. PENSIONS

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

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

STATEMENT OF ACCOUNTING POLICIES

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.62% (2.24% 2004/05) lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.76% (2.65% 2004/05) lower than it would otherwise have been.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 5.54% (5.21% 2004/05).

18. INTERNAL INTEREST

Interest is credited to the Housing Revenue Account based in the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the Housing Revenue Account Item 8 Credit and Item 8 Debit (general) Determinations 2005/06.

19. 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 activities accounts for less than 5% of total VAT on all the Council's activities. The partially exempt proportion for 2005/06 was 4.31% (3.30% 2004/05).

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**THE HOUSING REVENUE ACCOUNT
- SUMMARY**

	Note	2005/06 £000	2004/05 £000
INCOME			
Dwelling Rents (Gross)	3	21,201	20,305
Non Dwelling Rents		2,364	2,297
Charges for Services and Facilities		1,637	1,507
		<hr/>	<hr/>
TOTAL INCOME		25,202	24,109
EXPENDITURE			
Supervision and Management		6,197	5,787
Contribution to Housing Repairs Fund	4	4,980	5,000
Housing Revenue Account Subsidy Payable	5	7,749	7,556
Rents, Rates, Taxes and Insurance		271	375
Cost of Capital Charge	10	19,472	22,135
Deferred Charges		255	1,435
Depreciation	2/9/10	7,321	8,073
Debt Management		39	40
Provision for Bad / Doubtful Debts		64	107
		<hr/>	<hr/>
TOTAL EXPENDITURE		46,348	50,508
		<hr/>	<hr/>
NET COST OF SERVICES		21,146	26,399
Asset Management Revenue Account	10	(19,742)	(23,586)
Interest on Mortgages		(26)	(36)
Interest on Internal Balances		(1,534)	(1,419)
Pensions Interest/Return on Assets		(75)	369
		<hr/>	<hr/>
NET OPERATING EXPENDITURE / (INCOME)		(231)	1,727
Revenue Contributions to Capital Expenditure	8	2,000	950
FRS 17 Adjustment		128	(537)
Transfer (from) Major Repairs Reserve	9	(2,732)	(3,570)
Transfer to General Fund		55	110
Transfer to Capital Reserve		15	15
		<hr/>	<hr/>
SURPLUS FOR YEAR		(765)	(1,305)
		<hr/>	<hr/>
BALANCE BROUGHT FORWARD		(4,834)	(3,529)
		<hr/>	<hr/>
Surplus for Year		(765)	(1,305)

BALANCE CARRIED FORWARD

(5,599)

(4,834)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council was responsible for managing on average 6,703 (6,770) dwellings during 2005/06. Changes in the stock are summarised below. The figures include 50 units for the homeless at Norway House, North Weald, 9 wardens' and caretakers' dwellings, and 20 special lets.

	2005/06	2004/05
Stock as at 1 April	6,726	6,814
Less Sales	(40)	(61)
Stock Transfers / Conversions	(7)	(35)
Add New / Reinstated Properties	1	8
Stock as at 31 March	6,680	6,726
Houses and Bungalows	54%	54%
Flats and Maisonettes	45%	45%
Other	1%	1%

2. STOCK VALUATION

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

	Land	Dwellings	Garages	Equipment	Investment Assets	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Balance Sheet							
Value as at 31							
March 2005	185,418	422,005	4,396	3,950	11,038	454	627,261
Reclassified	0	0	0	0	0	0	0
Revaluation	(21,828)	(49,487)	420	0	1,871	0	(69,024)
Value as at 1 April 2005	163,590	372,518	4,816	3,950	12,909	454	558,237
Additions	0	3,772	4	2,654	37	93	6,560
Depreciation	0	(6,805)	(267)	(240)	0	(9)	(7,321)
Disposals	(707)	(2,071)	0	0	0	0	(2,778)
Deletions	0	(255)	0	0	0	0	(255)
Balance Sheet Value as at 31 March 2006	162,883	367,159	4,553	6,364	12,946	538	554,443

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 £1,133,827,500. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

The revaluation reduction shown on land and dwellings is as a result of the existing use – social housing valuation adjustment being reduced from 57% in 2004/05 to 46% in 2005/06. This means that the Balance sheet values are now 46% of the Open Market values.

3. GROSS DWELLING RENT INCOME

During 2005/06 0.74% (1.06% in 2004/05) of all lettable dwellings were vacant. Average rents were £61.58 per week, an increase of £3.57 or 6.16% over the previous year. 53% (55%) of all Council tenants received some help through rent rebates in 2005/06. Rent arrears decreased to £836,800 (£858,703), which represents 4.0% (4.2%) of gross dwelling rent income. The provision for bad and doubtful debts on

NOTES TO THE HOUSING REVENUE ACCOUNT

these arrears amounted to £594,000 (£579,000). Amounts written off during the year totalled £53,950 (£55,947). 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:

	2005/06		2004/05	
	£000	£000	£000	£000
Balance as at 1 April		(3,048)		(2,466)
Contribution from the HRA	(4,980)		(5,000)	
Other Income	(64)		(109)	
Total Income		(5,044)		(5,109)
Responsive & Void Repairs	3,121		2,780	
Planned Maintenance	1,793		1,509	
Other	103		238	
Total Expenditure		5,017		4,527
Balance as at 31 March		(3,075)		(3,048)

5. SUBSIDY ENTITLEMENT

Housing Revenue Account Subsidy for any year is calculated by constructing a Notional Housing Revenue Account, where all amounts are calculated in accordance with the Housing Revenue Account Subsidy Determinations (2005/06).

	2005/06		2004/05	
	£000	£000	£000	£000
Management and Maintenance Allowance		9,330		8,814
Major Repairs Allowance		4,590		4,503
Rent Rebates (prior year adj.)		(3)		0
Less				
Notional Rents	(20,847)		(20,180)	
Interest on Receipts	(819)	(21,666)	(693)	(20,873)
Total (Payable)		(7,749)		(7,556)

6. PENSIONS

The authority recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against the Housing Revenue Account is based on the cash payable in the year so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure.

7. HRA CAPITAL RECEIPTS

The Council received £4,468,000 HRA capital receipts. This was from the sale of council houses (£4,301,000) and principal repayments on mortgages (£167,000). Of this the Council was able to keep £2,830,000 to fund future capital projects and had to pay to the central government pool an amount of £1,638,000.

NOTES TO THE HOUSING REVENUE ACCOUNT

8. CAPITAL EXPENDITURE

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

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	3,521	Capital Receipts	1,613
Plant and Equipment	2,654	Revenue	2,000
Shopping Parades	37	Major Repairs Reserve	2,692
Other	93	Charged to Leaseholders	255
	<u>6,305</u>		
Other non-HRA Assets	255		
	<u>6,560</u>		<u>6,560</u>

The Revenue Contributions to Capital Expenditure figure of £2,000,000 shown on the face of the HRA excludes the £54,000 in respect of the Housing Maintenance DSO.

9. MAJOR REPAIRS RESERVE

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

	2005/06		2004/05	
	£000	£000	£000	£000
Balance as at 1 April		(1,414)		(3,539)
Depreciation transferred from the HRA		(7,321)		(8,073)
Used to fund Capital Expenditure on Council Dwellings	2,692		6,628	
Transferred to the HRA	<u>2,731</u>		<u>3,570</u>	
Total Expenditure		5,423		10,198
		<u>(3,312)</u>		<u>(1,414)</u>
Balance as at 31 March				

10. CAPITAL CHARGES

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

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

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THE CONSOLIDATED REVENUE ACCOUNT

CONSOLIDATED EXPENSES	Note	2005/06 Gross Expend £000	Income £000	Net Expend £000	2004/05 Net Expend £000
Central Services	2/3/4/5	12,356	8,305	4,051	3,388
Cultural Related	2/7	7,651	2,358	5,293	4,669
Environmental Services		7,192	1,375	5,817	5,389
Highways and Transport	6	2,757	2,183	574	1,431
Housing		71,144	49,183	21,961	26,493
Planning & Development	8	3,216	1,167	2,049	2,461
NET COST OF SERVICES		104,316	64,571	39,745	43,831
Precepts paid to Parish councils	9			2,367	2,225
				(803)	(695)
Housing Pooled Capital Receipts				1,638	1,065
				(1,403)	1,156
Asset Management Revenue Account	10			(24,777)	(28,527)
Interest and Investment Income				(53)	(67)
TOTAL NET OPERATING EXPENDITURE				16,714	18,988
Transfers to / (from) HRA Balances				765	1,305
Transfers to / (from) Housing Repairs Reserve				27	582
Transfers to / (from) DDF Reserves				550	56
Transfers to / (from) Capital Reserves	11			(2,454)	(4,132)
Transfers to / (from) Other Reserves				150	150
Transfer to / (from) Usable Capital Receipts				(1,638)	(1,065)
				1,568	(926)
AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS				15,682	14,958
Receipts from the Collection Fund				(9,317)	(8,916)
Transfers (from)/ to the Collection Fund				(34)	23
Revenue Support Grant				(3,799)	(3,786)
Distribution from the Non-Domestic Rate Pool				(3,500)	(3,305)
SURPLUS FOR YEAR				(968)	(1,026)
BALANCE BROUGHT FORWARD				(5,488)	(4,462)
Surplus for Year				(968)	(1,026)

BALANCE CARRIED FORWARD

(6,456)

(5,488)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. PENSIONS

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

Epping Forest District Council participates in the Essex County Council Pension Fund, which is a funded scheme meaning that the authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

The authority recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against council tax is based on the cash payable in the year so the real cost of retirement benefits is reversed out of the General Fund Revenue Account (GFRA) after Net Operating Expenditure.

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

	Essex County Council Local Government Pension Scheme	
	2005/06 £000	2004/05 £000
<i>Net Cost of Services</i>		
Current Service Cost	(2,310)	(2,205)
Past Service Gain	1,581	0
Settlement Gain	588	0
<i>Net Operating Expenditure</i>		
Interest Cost	(5,330)	(5,135)
Expected Return on Assets	3,984	3,978
<i>Amounts to be met from Government Grants & Local Taxation</i>		
Movement on Pension Reserve	(1,840)	926
Actual Amount Charged against council tax for pensions in year	3,327	2,436
Employers contributions payable to the scheme	(3,327)	(2,436)

2. OPERATING LEASES

Amounts paid under leasing arrangements in 2005/06 were £412,982 (£542,720 in 2004/05). This was on cars (£313,071), operational vehicles (£89,043), printing equipment (£5,923), and vending equipment (£4,945). The future cash payments that are required under these leases total £597,716.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3. PUBLICITY ACCOUNT

Under Section 5 of the Local Government Act 1986, all authorities are required to maintain a memorandum publicity account where expenditure exceeds £3,000. The expenditure on publicity incurred in 2005/06 is shown below.

	2005/06 £000	2004/05 £000
General Advertising	51	103
Recruitment Advertising	181	196
Council Website	76	100
Other Publicity – including the Council's Forester Magazine	191	107
Total	499	506

4. MEMBER ALLOWANCES AND OFFICER REMUNERATION

Member allowances, including expenses, totalled £188,010 in 2005/06 (*£173,752 in 2004/05*).

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

Remuneration Band	2005/06		2004/05	
	Number of Employees	Left in Year	Number of Employees	Left in Year
£50,000 - £59,999	3	-	9	-
£60,000 - £69,999	8	-	1	-
£70,000 - £79,999	-	-	-	-
£80,000 - £89,999	-	-	2	-
£90,000 - £99,999	-	-	-	-
£100,000 - £109,999	2	-	-	1

5. AUDIT COMMISSION FEES

The following audit fees have been paid to the Audit Commission

	2005/06 £000	2004/05 £000
External audit services in accordance with section 5 of the Audit Commission Act 1998	119	115
Statutory inspection under section 10 of the Local Government Act 1999	0	1
Certification of grant claims and returns under section 28 of the Audit Commission Act 1998	44	62
Total	163	178

6. AGENCY AND CONTRACTED SERVICES

The Council ceased to act as Highway Agent for Essex County Council from 1 April 2005, when the county council took the work back. A number of staff previously employed by the District Council were transferred to Essex County Council under the existing TUPE Regulations. There were some residual costs left with the Council as a result of the transfer to which the County Council are contributing toward over a three year period beginning in 2005/06. This amounted to £350,000 in 2005/06 and will reduce by a third each year until 2008/09 when it is phased out.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

7. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended by the Local Government Act 2000) enables this Local Authority to spend up to £233,700 for the benefit of people in their area on activities or projects not specifically authorised by other powers. Expenditure amounts to £130,142 in 2005/06 (£160,426 in 2004/05). This was expended on grant aid and youth strategy work.

8. BUILDING CONTROL CHARGES

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

	2005/06 £000	2004/05 £000
Income	511	543
Expenditure	<u>572</u>	<u>623</u>
Deficit	<u>(61)</u>	<u>(80)</u>

9. TRADING OPERATIONS

The following gross income and expenditure figures are included under the appropriate service area. The expenditure figures include capital financing charges of £440,589 (£387,787 in 2004/05) for Industrial Estates and £388,530 (£330,516 in 2004/05) for the North Weald Centre.

	2005/06 £000	2004/05 £000
Industrial Estates & Other		
Income	969	954
Expenditure	<u>480</u>	<u>487</u>
Surplus	<u>489</u>	<u>467</u>
North Weald Centre		
Income	1,381	1,192
Expenditure	<u>1,067</u>	<u>964</u>
Surplus	<u>314</u>	<u>228</u>
Total Surplus	<u>803</u>	<u>695</u>

10. ASSET MANAGEMENT REVENUE ACCOUNT

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

	2005/06 £000	2004/05 £000
Capital Charges to Services	(30,687)	(35,036)
Grants Released from Capital Reserves	(170)	(334)
Interest Earned on Temporary Investments	(2,333)	(2,208)
Interest Payable to External Lenders	46	39
Depreciation	<u>8,367</u>	<u>9,012</u>
Total Credited to the Consolidated Revenue Account	<u>(24,777)</u>	<u>(28,527)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

11. TRANSFERS TO CAPITAL RESERVES

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

		2005/06		2004/05	
		£000	£000	£000	£000
Direct Revenue	General Fund	-		7	
Financing	Housing Revenue Account	2,000	2,000	950	957
Grants Released to the Asset Management Revenue Account			170		334
Commutation adjustment			(270)		(346)
Depreciation			(8,367)		(9,012)
Deletions			(577)		(568)
Net MRA Transfer			4,590		4,503
(See also Note 9 to the Housing Revenue Account)					
Total Transfer from Capital Reserves			(2,454)		(4,132)

12. RELATED PARTY TRANSACTIONS

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

Name	Declaration
Councillor K Angold-Stephens	Loughton Broadway Town Centre Partnership Loughton Town Council Roding Valley Meadows Local Nature Reserve (Management Committee)
Councillor S Barnes	Grange Farm Management Trust
Councillor D R Bateman	Citizens` Advice Bureaux - Loughton Branch
Councillor Mrs D Borton	Nazeing Parish Council Lee Valley Regional Park Authority
Councillor Mrs P Brooks	Epping Forest Youth Strategy Group Lee Valley Park Authority Waltham Abbey Town Council Waltham Abbey Tourist Information Centre
Councillor M Cohen	Citizens` Advice Bureaux - Loughton Branch Police and Community Liaison Group – Loughton Section
Councillor M Colling	Epping Town Centre Partnership Epping Town Council
Councillor Mrs D M Collins	Theydon Garnon Parish Council Care and Repair Agency
Councillor Mrs J Davis	Loughton Broadway Town Centre Partnership Loughton Town Council Police and Community Liaison Group – Loughton Section

Name	Declaration
Councillor J Demetriou	Waltham Abbey Tourist Information Centre Joint Management Committee Thatched House Hotel. (Homeless B & B)
Councillor T Farr	Council for the Protection of Rural England (Essex Branch) Lee Valley Park Authority
Councillor Mrs R Gadsby	Citizens` Advice Bureaux - Waltham Abbey Branch Museums in Essex Committee Waltham Abbey Tourist Information Centre Joint Management Committee Waltham Abbey Town Centre Partnership Waltham Abbey Town Council
Councillor R J Glozier	Theydon Bois Parish Council Epping Forest Local Strategic Partnership East of England Regional Assembly Local Government Association General Assembly
Councillor P Gode	Ongar Town Centre Partnership Ongar Parish Council Police and Community Liaison Group – Loughton Section
Councillor R M Goold	Roding Valley Meadows Local Nature Reserve (Management Committee) Buckhurst Hill Parish Council Buckhurst Hill Town Centre Partnership
Councillor A Green	Epping Town Centre Partnership
Councillor Mrs A G Grigg	Epping Forest District Local Strategic Partnership North Weald Bassett Parish Council Roding Valley Meadows Local Nature Reserve (Management Committee)
Councillor Mrs A M Haigh	Essex County Council Lee Valley Park Authority Police and Community Liaison Group – Loughton Section
Councillor R Haines	Waltham Abbey Town Council
Councillor J Hart	Loughton High Road Town Centre Partnership Police and Community Consultative Group - Loughton Section
Councillor M A C Heavens	Epping Forest Local Strategic Partnership Essex County Council Supporting People Essex Commissioning Body Buckhurst Hill Town Centre Partnership Local Government Association General Assembly
Councillor D J Jacobs	Ongar Town Council West Essex Joint Waste Committee
Councillor D W Kelly	Fyfield Parish Council
Councillor J Knapman	Chigwell Parish Council

Name	Declaration
Councillor J Lea	Citizens` Advice Bureaux - Waltham Abbey Branch Waltham Abbey Town Centre Partnership
Councillor A Lee	Loughton High Road Town Centre Partnership
Councillor W F Maclaine	Citizens` Advice Bureaux - Loughton Branch
Councillor Mrs McEwen	Epping Forest Local Strategic Partnership
Councillor J Markham	Loughton Broadway Town Centre Partnership
Councillor L Martin	Roding Valley Meadows Local Nature Reserve (Management Committee) Police and Community Liaison Group – Loughton Section
Councillor R H Morgan	Sheering Parish Council
Councillor S W Murray	Roding Valley Meadows Local Nature Reserve (Management Committee) Care and Repair Agency
Councillor Mrs S Perry	Citizens` Advice Bureaux - Epping Branch Epping Town Centre Partnership Police and Community Consultative Group - Epping Section Epping Town Council
Councillor C Pond	Loughton Town Council Crime and Disorder Strategy Panel
Councillor B Sandler	Chigwell Parish Council
Councillor M Sartin	Epping Forest District Local Strategic Partnership Police and Community Consultative Group - Epping Section Voluntary Action Epping Forest (VAEF)
Councillor Mrs P Smith	Epping Upland Parish Council West Essex Joint Waste Committee
Councillor D Spinks	Waltham Abbey Town Council
Councillor D J Stallan	Epping Forest District Local Strategic Partnership Epping Forest Local Supporting People Care Strategy Group Essex Supporting People Commissioning Body West Essex Joint Waste Committee
Councillor Ms S Stavrou	Waltham Abbey Town Council Lea Valley Regional Park Authority Waltham Abbey Tourist Information Centre Crime and Disorder Strategy Panel
Councillor C Whitbread	Epping Town Council Roding Valley Meadows Local Nature Reserve (Management Committee) Voluntary Action Epping Forest (VAEF)

Name	Declaration
Councillor Mrs J H Whitehouse	Police and Community Consultative Group - Epping Section Essex County Council Care and Repair Agency
Councillor J M Whitehouse	Epping Town Council
Councillor M W T Woollard	Grange Farm Management Trust Police and Community Consultative Group - Loughton Section Buckhurst Hill Parish Council Crime and Disorder Strategy Panel Roding Valley Meadows Local Nature Reserve (Management Committee
Councillor K L Wright	Ongar Parish Council Ongar Town Centre Partnership

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

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THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR 2005/06

	Note	2005/06 £000	2004/05 £000
INCOME			
Council Tax	1	66,909	64,561
Non Domestic Rates	2	24,381	24,121
		91,290	88,682
EXPENDITURE			
Precepts and Demands:			
Essex County Council		48,510	46,941
Essex Police		5,538	5,227
Essex Fire Authority		3,021	2,971
Epping Forest District Council		9,317	8,916
Distribution of Estimated Collection Fund Surplus/(Deficit) for Previous Years			
	3		
Essex County Council		178	(124)
Essex Police		20	(13)
Essex Fire Authority		11	0
Epping Forest District Council		34	(23)
Non Domestic Rate			
Payment to National Pool		24,216	23,962
Cost of Collection Allowance		165	159
Provision for Non Payment of Council Tax		54	161
Council Tax Write Offs		482	247
		91,546	88,424
TOTAL EXPENDITURE			
DEFICIT / (SURPLUS) FOR YEAR		256	(258)
BALANCE BROUGHT FORWARD			
		(168)	90
Deficit / (Surplus) for Year		256	(258)
BALANCE CARRIED FORWARD			
		88	(168)

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NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: (52,859.00 for 2005/06). The basic amount of Council Tax for a Band D property (£1,255.90 for 2005/06, £1,216.57 for 2004/05) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings after Discount Exemptions And disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	2	0.55	1
Band A	1,549	0.67	853
Band B	4,393	0.78	2,802
Band C	10,694	0.89	8,369
Band D	13,080	1.00	11,998
Band E	8,675	1.22	9,903
Band F	6,363	1.44	8,637
Band G	5,600	1.67	8,914
Band H	996	2.00	1,916
Total Band D			53,393
Less Adjustment for Collection Rate			534
Council Tax Base			52,859

The income of £66,909,000 for 2005/06 (£64,561,000 for 2004/05) is receivable from the following sources.

	2005/06 £000	2004/05 £000
Billed to Council tax payers	59,822	57,965
Council Tax Benefits	7,087	6,596
	66,909	64,561

NOTES TO THE COLLECTION FUND

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 41.5p (small business) and 42.2p (others) in 2005/06 (*45.6p in 2004/05 for both*) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The total non-domestic rateable value at the year-end was £73,657,985 (*£56,931,733 in 2004/05*). The increase in rateable values between the two years is due to the revaluation process that takes place every five years and changes in the businesses on the rateable list.

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

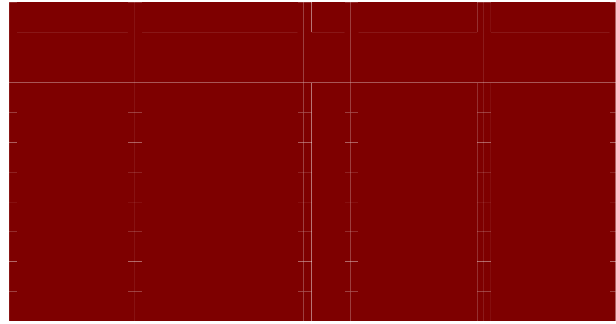
The surplus or deficit on the Collection Fund arising from council tax transactions will be distributed in subsequent years to major precepting authorities (Essex County Council, Essex Police, Essex Fire and this Council) in proportion to the value of the respective precept and demand made by the authorities on the Collection Fund. In 2005/06 a total surplus of £243,000 was distributed, of which this Council's share was a surplus of £34,000.

THE CONSOLIDATED BALANCE SHEET					
		31 MARCH 2006		31 MARCH 2005	
	Note	£000	£000	£000	£000
LONG TERM ASSETS					
Fixed Assets	1		635,340		699,048
Intangible Assets	2		0		0
Investments	3		124		124
Long Term Debtors	4		1,690		2,400
TOTAL LONG TERM ASSETS			637,154		701,572
Current Assets					
Stocks and Work in progress	5	294		272	
Debtors	6	6,724		8,606	
Short Term Temporary Investments		43,000		44,600	
Cash at Bank and in Hand		1,626	51,644	1,634	55,112
Current Liabilities					
Creditors and Prepayments	7	(8,498)		(12,188)	
Provisions	8	0		(1,318)	
Bank Overdraft		(176)	(8,674)	(472)	(13,978)
TOTAL ASSETS LESS CURRENT LIABILITIES			680,124		742,706
Deferred Credits	10		(1,401)		(2,203)
Pensions Liability	21		(37,389)		(38,108)
Government Grants Deferred	11		(3,020)		(3,080)
Capital Contributions Deferred	12		(419)		(578)
TOTAL ASSETS LESS LIABILITIES			637,895		698,737
RESERVES					
Fixed Asset Restatement Account	13		553,761		617,579
Capital Financing Account	14		77,112		76,943
Major Repairs Reserve			3,312		1,414
Usable Capital Receipts	15		20,073		21,241
Pensions Reserve	21		(37,389)		(38,108)
Earmarked Reserves	16		9,059		9,178
Revenue Balances	17		11,967		10,490
			637,895		698,737
I certify that the Statement of Accounts presents fairly the financial position of Epping Forest District					

**Council as at 31 March 2006, and its
income and expenditure for the year
ended as at that date.**

**ROBERT PALMER BA ACA
HEAD OF FINANCE**

14 June 2006



NOTES TO THE CONSOLIDATED BALANCE SHEET

1. MOVEMENT OF FIXED ASSETS 2005/06

Movements during the year were as follows:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Non-Operational Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value							
31 March 2005	639,253	35,268	7,505	9,222	538	40,826	732,612
Reclassified	0	(24)	24	(10)	0	10	0
Restated	0	(182)	0	0	0	0	(182)
Re-valued	(70,895)	7,832	0	0	0	2,206	(60,857)
Value							
1 April 2005	568,358	42,894	7,529	9,212	538	43,042	671,573
Additions	3,776	274	3,592	236	267	680	8,825
Disposals	(2,817)	0	0	0	0	0	(2,817)
Write-offs	(255)	(6)	0	0	0	(87)	(348)
Gross Book Value							
31 March 2006	569,062	43,162	11,121	9,448	805	43,635	677,233
Depreciation							
1 April 2005	27,434	1,552	2,570	2,004	4	0	33,564
Depreciation in Year	7,071	528	502	266	0	0	8,367
Depreciation on Assets Sold	(38)	0	0	0	0	0	(38)
Depreciation							
31 March 2006	34,467	2,080	3,072	2,270	4	0	41,893
Net Book Value							
31 March 2006	534,595	41,082	8,049	7,178	801	43,635	635,340
Net Book Value							
31 March 2005	611,819	33,716	4,935	7,218	534	40,826	699,048

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

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	3,776	Capital Receipts	3,605
Plant & Equipment in Council Dwellings	2,654	Revenue	2,000
Environmental & Flooding Works	838	Major Repairs Reserve	2,692
Civic Offices	203	Grants	55
Town Centre Enhancements	517	Other	473
Highways and Footpaths	184		
Leisure Facilities	58		
Information Technology	309		
Vehicles and Equipment	93		
North Weald Airfield	126		
Shopping Parades	37		
Other Miscellaneous	30		
Total	8,825		8,825

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. MOVEMENT OF FIXED ASSETS 2005/06 (CONTINUED)

Fixed assets owned by the Council include the following:	Number as at	
	2006	2005
	31 March	
HRA Properties		
Council Dwellings	6,680	6,726
Council Garages	2,912	2,912
Hostels (50 units)	1	1
Operational Land and Buildings		
Civic Offices	1	1
Other Offices	3	4
Sports Centres	3	3
Swimming Pools	1	1
Depots	4	4
Surface Car Parks	13	13
Cemeteries	0	2
Museum	1	1
Gymnasium	1	1
Plant Nursery	1	1
Playgrounds	19	19
Public Conveniences	8	9
Operational Equipment		
Plant and Vehicles	67	72
Computers Servers	79	79
Client Equipment (PC's, Thin Clients and Printers)	692	692
Investment Properties		
Commercial Properties	148	148
Industrial Estates	4	4
Recreational Airfield	1	1
Surplus Land Holdings	5	5
Community Assets		
Community Halls	9	9
Capital expenditure and financing	31 March	
	2006	2005
	£000	£000
Opening Capital Financing Requirement as at 1 April	1,447	(510)
Capital Investment:		
Operational Assets	8,825	10,267
Non-Operational Assets	151	110
Deferred Charges	562	1,783
Regulation 33 transfer	0	2,970
Adjustment	(2,231)	0
Sources of Finance:		
Capital Receipts	(4,118)	(5,022)
Governments Grants and Other Contributions	(728)	(567)
Revenue Provision	(4,692)	(7,584)
Closing Capital Financing Requirement as at 31 March	<u>(784)</u>	<u>1,447</u>
Explanation of Movements in Year		
Increase in underlying need to borrow (unsupported by Government financial assistance)	(2,231)	1,957
Increase/(decrease) in Capital Financing Requirement	<u>(2,231)</u>	<u>1,957</u>

The Capital Financing Requirement has been adjusted in 2005/06 to take into account a mis-statement in a previous year.

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. INTANGIBLE ASSETS

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

	31 March	
	2006	2005
	£000	£000
Balance as at 1 April	0	0
Amounts amortised to Revenue	(642)	(1,783)
Expenditure	642	1,783
Balance as at 31 March	0	0

3. INVESTMENTS

	31 March	
	2006	2005
	£000	£000
Local Government Association Debenture	120	120
Central Government War and Insurance Stock	4	4
Total Long Term Investments	124	124

4. LONG TERM DEBTORS

	31 March	
	2006	2005
	£000	£000
Mortgages	302	469
Central Government	778	1,296
Other Local Authorities – Transferred Debt	610	635
Total Long Term Debtors	1,690	2,400

5. STOCKS AND WORK IN PROGRESS

	31 March	
	2006	2005
	£000	£000
Work in Progress	115	109
Stocks	179	163
Total Stocks	294	272

NOTES TO THE CONSOLIDATED BALANCE SHEET

6. DEBTORS

	31 March	
	2006 £000	2005 £000
Amounts falling due in one year		
Government Departments and Other Local Authorities	2,138	2,927
Council Tax Arrears	2,698	2,893
Non Domestic Ratepayers Arrears	735	828
Housing Rent Arrears	837	859
Sundry Debtors	3,604	4,271
Financial Institutions	495	565
Others	8	14
	<u>10,515</u>	<u>12,357</u>
Less Provision for Bad and Doubtful Debts	(3,791)	(3,751)
	<u>6,724</u>	<u>8,606</u>
Amounts falling due after one year	0	0
Total Current Debtors	<u>6,724</u>	<u>8,606</u>

7. CREDITORS

	31 March	
	2006 £000	2005 £000
Government Departments and Other Local Authorities	1,094	4,110
Council Tax	971	790
Non Domestic Ratepayers	473	828
Housing Rents	153	155
Sundry Creditors	5,807	6,305
	<u>8,498</u>	<u>12,188</u>
Total Creditors	<u>8,498</u>	<u>12,188</u>

8. PROVISIONS

This related to the settlement of the Loughton Leisure Centre contract and was paid on 11 October 2005.

9. EXTERNAL BORROWING

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

10. DEFERRED CREDITS

	31 March	
	2006 £000	2005 £000
Deferred Capital Receipts	298	465
Deferred Revenue Receipts	778	1,296
Revenue Commuted Sums	325	442
	<u>1,401</u>	<u>2,203</u>
Total Deferred Credits	<u>1,401</u>	<u>2,203</u>

This account contains deferred credits from three sources. Deferred Capital Receipts are derived principally from the sale of assets and will be received under mortgage agreements over agreed periods of time. Deferred Revenue Receipts relate to monies due to this council from Central Government and arise from the old style reinstatement grants. Revenue Commuted Sums are contributions received towards the ongoing revenue cost of maintaining specific assets.

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

	31 March	
	2006	2005
	£000	£000
Balance as at 1 April	3,080	2,983
Grants Receivable - IEG, Performance Reward and Planning Delivery Grants	110	431
Allocated to the Asset Management Revenue Account	(170)	(334)
Balance as at 31 March	<u>3,020</u>	<u>3,080</u>

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

12. CAPITAL CONTRIBUTIONS DEFERRED

	31 March	
	2006	2005
	£000	£000
Balance as at 1 April	578	218
Contributions Arising	341	291
Adjustment for Commuted Capital Sum	0	147
Contributions applied	(518)	(88)
Interest Received	18	10
Balance as at 31 March	<u>419</u>	<u>578</u>

This represents unapplied capital resources other than those generated internally. The contributions arising figure quoted above includes £30,000 of Section 106 sums received during the year.

13. FIXED ASSET RESTATEMENT ACCOUNT

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

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

	31 March	
	2006	2005
	£000	£000
Balance as at 1 April	617,579	550,371
Revaluations during the year (see also note 1)	(60,857)	77,300
Restatements during the year (see also note 1)	(182)	0
Disposal of Fixed Assets (see also note 1)	(2,779)	(10,092)
Balance as at 31 March	<u>553,761</u>	<u>617,579</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. CAPITAL FINANCING ACCOUNT

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

The movements on the capital financing account are shown below:

	31 March	
	2006 £000	2005 £000
Balance as at 1 April	76,943	77,981
Minimum Revenue Provision Adjustment:		
Deferred Grants	170	334
Depreciation	(8,367)	(9,012)
Deferred Charges etc written off in Year (Net)	(917)	(2,003)
Regulation 33 transfer	0	(2,970)
Commutation Adjustment	(270)	(346)
Capital Financing		
Capital Receipts Applied	4,118	5,022
Revenue Contributions Applied	2,000	957
Major Repairs Reserve Applied	2,692	6,628
Other	473	6
Commutation Adjustment	270	346
Balance as at 31 March	<u>77,112</u>	<u>76,943</u>

15. USABLE CAPITAL RECEIPTS UNAPPLIED

	31 March	
	2006 £000	2005 £000
Balance as at 1 April	21,241	13,483
Adjustment for Commuted Capital Sum	0	(147)
Usable Capital Receipts arising in year	4,858	11,368
Regulation 33 transfer	0	2,970
Usable Capital Receipts applied in year	(4,118)	(5,022)
Commutation Adjustment	(270)	(346)
Capital Receipts Pooled	(1,638)	(1,065)
Balance as at 31 March	<u>20,073</u>	<u>21,241</u>

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. EARMARKED RESERVES

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

	1 April 2005 £000	Transfers in £000	Transfers Out £000	31 March 2006 £000
Housing Repairs Reserve	3,048	4,980	(4,953)	3,075
District Development Fund	2,457	1,726	(1,176)	3,007
Pension Deficit Reserve	2,815	0	(852)	1,963
Insurance Reserve	681	150	0	831
Debenture Reserve	120	0	0	120
Building Control Charging A/C	118	0	(61)	57
On Street Parking	(68)	67	0	(1)
Museum Fund	3	0	0	3
Small Loans Fund	4	0	0	4
Total Earmarked Reserves	9,178	6,923	(7,042)	9,059

17. REVENUE BALANCES

	31 March	
	2006 £000	2005 £000
General Fund	6,456	5,488
Housing Revenue Account	5,599	4,834
Collection Fund	(88)	168
Total Revenue Balances	11,967	10,490

18. COSTS INCURRED IN RESPECT OF THE EURO

No costs have been incurred that relate directly to the Euro.

19. TRUST FUNDS

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

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

	Year to 31 March 2006		As at 31 March 2006	
	Direct Income £	Direct Expenditure £	Assets £	Liabilities £
Chigwell Row Recreation Ground	37,788	37,788	53,068	-
Buckhurst Hill Open Space	57	57	-	-
Lindersfield	-	-	-	-

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. CONTINGENT GAINS

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

The Council has a claim for VAT with Customs and Excise relating to off street parking charges resulting from the Isle of Wight tribunal case where it was concluded that off street car parking activities are within article 4.5 and in principle excluded from charges to VAT. The claim amounts to £420,000, with a further claim of £740,000 going back to January 1990.

20. CONTINGENT LIABILITIES

The waste management contractor in place at the balance sheet date has since gone into administration. A new contractor is in place, however there are possible claims arising from indemnities given to the new contractor for pre-administration employment /TUPE.

21. PENSIONS

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

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

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2005 to 31 March 2007 are 171% of members (employees) contributions plus lump sum payments of £1.675m (in 2005/06 terms), £1.747m (in 2006/07 terms) and £1.822m (in 2007/08 terms). The projected deficit payments include an allowance for two years salary increases since 31 March 2004 of 4.3%.

In 2005/06 the Council paid an employer's contribution of £3.004m representing 22.85% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2004 review as at 31 March 2004 were implemented with effect from 1 April 2005. The Actuary advised that the scheme was still underfunded and that deficiency contributions were required from all participating authorities. The sum required from this authority, included in the above contributions, was £1,674,649 for 2005/06 (*£819,000 in 2004/05*). Contributions paid by employees into the Essex County Council Pension Fund in 2005/06 amounted to £0.781m representing 5.94% of employee's pensionable pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2005/06 these amounted to £311,405 representing 2.37% of pensionable pay.

The main financial assumptions adopted as at 31 March 2006 were:

- Retail price inflation 2.9% per annum
- Increases in salaries 4.4% per annum
- Increases in pensions and deferred pensions 2.9% per annum

(parts of pensions in payment representing guaranteed minimum pensions are not increased (pre-1998 accrual) or increased at 2.0% per annum (post-1998 accrual))

- Discount rate 4.9%

The fair values of each main class of assets held by the Fund as at 31 March and the expected rates of

NOTES TO THE CONSOLIDATED BALANCE SHEET

return for the ensuring year are set out in the following table:

	As at 31 March 2006		As at 31 March 2005	
	Fair value £m	Expected Return %	Fair value £m	Expected Return %
Equities	1,875	7.0	1,477	7.5
Gilts	277	4.3	236	4.7
Other Bonds	149	4.9	126	5.4
Property	309	6.0	244	6.5
Other	50	4.5	60	4.75
Total	2,660		2,143	

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

	31 March	
	2006 £m	2005 £m
The fair value of the above assets related to this Council was	74.3	61.2
The value placed on the liabilities related to this Council was	(111.7)	(99.3)
Consequently, at 31 March, the deficiency related to this Council was	(37.4)	(38.1)

The movement in the net pension deficiency for the year to 31 March 2006 is as follows:

	2006 £m	2005 £m
Net pensions liability at 1 April 2005	(38.1)	(24.7)
Movements in the current year		
Current service cost	(2.3)	(2.2)
Employers' contributions payable to scheme	3.3	2.4
Settlement and curtailment gains	.5	0
Past service gains	1.6	0
Interest cost	(5.3)	(5.1)
Expected return on assets in the scheme	4.0	4.0
Actuarial gain/(loss)	(1.1)	(12.5)
Net pensions liability at 31 March 2006	(37.4)	(38.1)

The actuarial asset gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2006:

	2005/06	
	£m	%
Differences between the expected and actual return on assets	9.8	13.1
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

The primary cause of the change from an estimated net pension liability of £38.1m at 31 March 2005 to an estimated net pension liability of £37.4m at 31 March 2006 has been an increase in deficiency contributions, a past service gain resulting from the anticipated change in benefits under the Local Government Pension Scheme, and a settlement gain as a result of staff transferring to a private contractor and staff transferring to Essex County Council.

The £37.4m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2006 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2006 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2004 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due up to the next review.

Changes to the Local Government Pension Scheme.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment in exchange for a reduction in their future annual pension. On the advice of the actuaries we have we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. The actuaries have advised that this will reduce the value of the Council's pension liabilities by £1.581 million and this has been included within Non-Distributed Costs on the face of the Consolidated Revenue Account.

22. POST BALANCE SHEET EVENTS

The Parade Ground Site was sold early in 2006/07. The balance sheet value has been adjusted in view of that sale price.

The mid/long term effects of the previous waste management contractor going into administration are still to be determined. Members have already approved a supplementary estimate of £300,000 to deal with the short term costs.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

Movements during the year were as follows.

	CAPITAL RESERVES				REVENUE RESERVES						Total
	Fixed Asset Restatement Account	Capital Financing Account	Major Repairs Reserve	Usable Capital Receipts	General Fund	Collection Fund	Specific Reserves	Pensions Reserve	Housing Revenue Account		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance as at											
1-Apr-05	(617,579)	(76,943)	(1,414)	(21,241)	(5,488)	(168)	(9,178)	38,108	(4,834)	(698,737)	

EFFECTS ON MOVEMENTS ON REVENUE FUNDS										
(Surplus) / Deficit before Appropriation	-	-	-	-	(1,166)	256	7,042	-	(5,083)	1,049
Appropriations Minimum Revenue Provision Adjustment	-	-	2,731	-	2,006	-	(6,653)	-	2,303	-
Revenue Financing of Fixed Assets	-	9,114	(7,321)	-	(1,808)	-	-	-	15	-
	-	(2,000)	-	-	-	-	-	-	2,000	-

Net (Surplus) / Deficit for year	-	7,114	(4,590)	-	(968)	256	389	-	(765)	1,436
Capital Financing of Fixed assets Capital Adjustments Unrealised (Gain) / Loss	-	(6,810)	2,692	4,118	-	-	-	-	-	-
	-	-	-	270	-	-	(270)	-	-	-
	60,857	-	-	-	-	-	-	(719)	-	60,138

EFFECTS OF DISPOSAL OF ASSETS										
Cost or Value of Assets Disposed	2,961	-	-	-	-	-	-	-	-	2,961
Proceeds of Disposals	-	(473)	-	(3,220)	-	-	-	-	-	(3,693)

Net (Surplus) / Deficit for Year	2,961	(473)	-	(3,220)	-	-	0	-	-	(732)
Balance as at 31-Mar-06	(553,761)	(77,112)	(3,312)	(20,073)	(6,456)	88	(9,059)	37,389	(5,599)	(637,895)

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THE CASH FLOW STATEMENT

		31 March 2006		31 March 2005	
	Note	£000	£000	£000	£000
REVENUE ACTIVITIES					
Out				18,738	
				28,817	
				57,227	
				19,948	
				7,556	
				939	
			0	9,278	142,503
In				15,080	
				58,245	
				3,305	
				24,553	
				3,786	
				28,092	
	2			1,038	
				15,733	
			0	939	150,771
Net Cash Flow from Revenue Activities	1		0		(8,268)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
					1
					(1,911)
Net Cash Flow from Investments and Servicing of Finance			0		(1,910)
CAPITAL ACTIVITIES					
Out				8,563	
			0	3,180	11,743
In				10,664	
	2			503	
			0	1,743	12,910
Net Cash Flow from Capital Activities			0		(1,167)
MANAGEMENT OF LIQUID RESOURCES					
				197,364	
				(187,364)	
Net Cash Flow from Management of Liquid Resources	3		0		10,000
FINANCING					
	4		0		0
Net (Increase) / Decrease in Cash	5		0		(1,345)

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NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF OPERATIONS TO NET CASH FLOW	31 March 2006		31 March 2005		
	£000	£000	£000	£000	
General Fund (Surplus) / Deficit	0		(1,026)		
Housing Revenue Account (Surplus) / Deficit	0		(1,305)		
Collection Fund (Surplus) / Deficit	0	0	(258)	(2,589)	
Revenue Contributions to Capital	0		(5,114)		
Contributions (to) / from Provisions	0		(598)		
Contributions (to) / from Reserves	0	0	1,486	(4,226)	
Increase / (Decrease) in Stocks	0		15		
Increase / (Decrease) in Revenue Debtors	0		995		
(Increase) / Decrease in Revenue Creditors	0	0	(4,373)	(3,363)	
Financing Items		0		1,910	
Net Cash Flow from Revenue Activities		0		(8,268)	
2. ANALYSIS OF GOVERNMENT GRANTS					
			2005/06	2004/05	
			£000	£000	
Revenue Grants					
ODPM Subsidy			0	518	
Other			0	520	
Total Revenue			0	1,038	
Capital Grants					
IEG			0	350	
Planning Delivery Grant			0	22	
Lottery			0	0	
ODPM Grants			0	131	
Total Capital			0	503	
3. RECONCILIATION OF LIQUID RESOURCES TO TEMPORARY INVESTMENTS					
			2005/06	2004/05	
			£000	£000	
Temporary Investments as at 1 April			44,600	34,600	
Net Movement in Liquid Resources			(1,600)	10,000	
Temporary Investments as at 31 March			43,000	44,600	
4. RECONCILIATION OF FINANCING TO AMOUNTS BORROWED					
			2005/06	2004/05	
			£000	£000	
Total Borrowings as at 1 April			-	-	
Net Movement in Financing			-	-	
Total Borrowings as at 31 March			-	-	
5. MOVEMENT IN CASH AND CASH EQUIVALENTS					
			1 April	31 March	Differ-
			2005	2006	ence
			£000	£000	£000
Cash			33	0	0
Bank of Scotland			1,454	0	0
Bank Overdraft			(325)	0	0
Total Cash and Cash Equivalents			1,162	0	0

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STATEMENT ON INTERNAL CONTROL FOR 2005/06

1. SCOPE OF RESPONSIBILITY

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

2. PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- a) identify and prioritise the risks to the achievement of EFDC's policies, aims and objectives;
 - b) evaluate the likelihood of those risks being realised and the impact should they be realised; and
 - c) manage them efficiently and economically.
- 2.2 The basis of this system of internal control has been in place at EFDC for the year ended 31 March 2006, and up to the date of the approval of the accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

- 3.1 The key elements of the internal control environment are summarised below:

3.1.1 Establishing and monitoring of the Authority's objectives

The EFDC Council Plan for 2003/07 was in place during 2005/06 and is available on the Council website. This document sets out the Council's main strategies on a four year rolling programme, and is based on a thematic, rather than service specific approach to allow cross cutting issues to be identified and addressed more effectively. The themes are:

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

Progress towards the achievement of the objectives is monitored through the Performance Management Framework that was introduced in 2003/04 and updated during 2005/06. A full review of the actions included in the Plan took place in February 2006, carried out by the Finance and Performance Management Scrutiny Panel.

Towards the end of 2005/06 the Council Plan 2006/10 was drafted and was in the course of being consulted upon with a wide range of stakeholders. It is intended that the Plan will be formally adopted by the Council in July 2006, following extensive community consultation.

3.1.2 Policy and decision-making

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

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

A review of the Member level scrutiny function led to the introduction in 2005/06 of new arrangements based on a single Overview and Scrutiny Committee to support and monitor the work of the Cabinet. 'Task and Finish' Panels are now used for ad-hoc projects agreed in the annual work programme, for in-depth reviews of services/policies, and service development. Standing Panels will be used for cyclical topics such as Finance and Performance Review. A "call-in" procedure remains in place and allows the Overview and Scrutiny Committee to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

A further review of this new structure took place in March 2006, and was held at a members' seminar which was externally facilitated. An action plan was agreed to streamline arrangements which were generally felt to have been effective. The key findings included the need to build capacity to support the Overview and Scrutiny function and follow up implementation reviews. No constitutional changes to Overview and Scrutiny were found to be necessary and the action plan will be reviewed by Overview and Scrutiny Committee during 2006/07.

3.1.3 Standards Committee

The Council's independent Standards Committee was reappointed during 2004 for a 3 year term, and comprises three independent members, one parish representative (and deputy) and two District Councillors. The Terms of Reference of the Committee are defined by Statute and various Government Regulations. Amongst other things the Committee gives advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of

Council protocols. The Committee submits an annual report on its activities to the Council.

During the year the Committee has undertaken its first two adjudications on complaints against Councillors. Work also commenced on its first two local investigations and these will lead to further local adjudications. The Committee has hosted four training courses on the Code of Conduct and Planning Protocol for both Parish and District Councillors. Revised ethical advice on conduct in respect of outside organisations, planning, on gifts and hospitality and use of member facilities were issued during 2005/06. Resourcing of the investigation/adjudication processes has emerged as a concern, as has the difficulty in ensuring that those processes remain able to resist challenges based on conflicts of role for the Monitoring Officer and her staff.

3.1.4 Remuneration Panel

The Statutory Remuneration Panel has met during the year. It advised the Council on member remuneration in relation to:

- a) changes in the number of Overview and Scrutiny Committees;
- b) changes in Cabinet portfolios; and
- c) payment of an additional Basic Allowance to assist Councillors with IT provision.

The Panel comprises the independent persons appointed in 2001.

3.1.5 Compliance

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

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

As part of the risk management process, further work has been undertaken during 2005/06 on the development of the Council's risk register, and both officers and members have received training in risk management issues from a specialist consultant. Managers in each Service continue to take the lead on risk management issues and co-ordinate the production of Service risk management strategies. This ensures that risks are identified and that sound business arrangements operate in Service areas to deal with them. These managers meet on a quarterly basis to ensure a consistent approach to risk management across the Authority. During the year, Internal Audit followed up the findings of the audit of risk management undertaken in 2004/05, and were able to confirm that there had been further improvements in the Council's risk management processes.

The Council's systems of internal control identified some weaknesses in the application of some of the Council's systems, and occasional lapses in the

application of Financial Regulations during 2005/06. The main concerns included the misappropriation of cash by an employee in one Service, and the abuse of time keeping by a group of employees in another Service. There was also a general concern regarding segregation of duties in all services between the raising and authorisation of purchase orders, and the certification of invoices. These issues were picked up through the Council's internal control mechanisms and were dealt with promptly by Service management in liaison with Internal Audit. The outcomes were reported to the Finance and Performance Management Cabinet Committee during the year via the Internal Audit quarterly monitoring reports, and immediate steps were taken to improve the respective systems. A follow up audit of the purchase ordering and invoicing system identified positive improvements in the system, following training provided to managers across all Services.

It should be borne in mind that the systems of internal control are designed to mitigate risk as far as possible, rather than aiming to eliminate it altogether. The key strategic risks to the Authority will, from 2006/07, be subject to regular review by the Management Board and Heads of Service.

3.1.6 Use of Resources

EFDC maintained its budgetary monitoring processes during 2005/06 to ensure that financial resources were being used to their best advantage, via management reporting to the officer Corporate Programme Groups, and to Members.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified alongside other competing budget requests to the Overview and Scrutiny Committee's Finance and Performance Management Standing Panel and Cabinet, as part of the annual budget process. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. The Cabinet has to prioritise resource allocation to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate aims and objectives.

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

From 2005/06 the Council's External Auditor, as part of the annual Use of Resources assessment, evaluates how well Councils manage and use their financial resources. The first assessment acknowledged that the Council was in a sound financial position and had established proper arrangements to monitor its financial position and take appropriate remedial action where necessary.

The reports recommended that the Council:

- a) improve the systems in place to ensure value for money was being delivered in all service areas. This work is now being taken forward by a multi disciplinary group led by a Head of Service.
- b) ensure that the new performance management system was embedded and used effectively so that it contributed towards demonstrable and sustained service improvement. The Head of Human Resources and Performance Management is driving improvement in this area and Internal Audit conduct regular reviews to monitor progress.

- c) ensure that the process to produce the accounts for 2005/06 and future years result in accounts that are free from material error and comply with the CIPFA/LASAAC statement of recommended practice. The Head of Finance is liaising closely with the external auditors to improve the closure of accounts process.
- d) continue to progress with the risk management agenda to ensure it is embedded throughout the Council. Officers from all services continue to meet on a quarterly basis to share good practice, and the corporate risk register is now in place following the involvement of members in the process.

3.1.7 Financial Management

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

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

In particular, the process in 2005/06 included:

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

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

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

3.1.8 Performance Management

Continuous service improvement is promoted via the Council's performance management framework, which links the aims and actions of the Council Plan to the targets and priorities of individual staff via the annual staff development review process.

The Council sets its overall priorities as a way of informing the decision making process and budget setting cycle. To this end the Council has three key 'policy themes', as referred to at paragraph 3.1.1 above. Within each theme there are a number of more specific aims, which are monitored through the performance management system. The new, draft Council Plan seeks to align the Council's priorities with those of the Local Strategic Partnership (LSP) where these are congruent.

The former Overview and Scrutiny Committees identified potential enhancements in the performance monitoring systems to improve their usability and value to the Council. This formed the basis of a revised system of monitoring under the new scrutiny arrangements for 2005/06. At its meeting on 6 June 2005, the Cabinet adopted an objective, for performance against 40% of all BVPIs for the year (40 in number), to be in the top quartile of district councils. These key BVPIs are monitored by Management Board on a quarterly basis and regular reports are now submitted to the Finance and Performance Management Scrutiny Panel, in order to drive and monitor improvement in those Service areas considered to be of vital importance in delivering the Council's main policy and Service objectives. Following the first year of monitoring in this way, the make up of the 40 key performance indicators will now be reviewed in the context of the evaluation of performance for the full set of BVPIs.

4. REVIEW OF EFFECTIVENESS

- 4.1 EFDC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by:
- The work of the Internal Auditors;
 - The work of managers within the Council;
 - The External Auditors in their annual audit letter and other reports; and
 - Comments by other review agencies and inspectorates.
- 4.2 The Finance and Performance Management Cabinet Committee receives quarterly updates from the Chief Internal Auditor on the progress against the Audit Plan during the year, along with an annual assessment at the year end. Within these reports there is a strong focus on matters relating to the effectiveness of internal controls.
- 4.3 Individual Cabinet Members receive regular feedback from senior officers within their portfolios, on the delivery of services and the achievement of objectives and targets. Issues of strategic importance are now reported via the Overview and Scrutiny Committee.
- 4.4 Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work and current risk assessments, the Chief Internal Auditor has placed a satisfactory level of assurance on the systems of internal control in place during 2005/06.
- 4.5 Within the external Comprehensive Performance Assessment undertaken in 2004, the Council was assessed in overall terms to be a "good" and financially sound Authority. A detailed Improvement Plan is in place and progress is regularly monitored by the Council's Management Board.
- 4.6 The Council has, over the past few years, received positive Annual Audit letters from the External Auditor, which includes unqualified accounts.

5. IMPROVEMENTS DURING THE YEAR

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

Improvement Areas for 2005/06 identified in last year's Statement

- A 'user friendly' summary of Financial Regulations, to help raise awareness and understanding, has been published on the Council's intranet. This followed four sessions of finance awareness training, provided to 90 managers and other staff with financial responsibilities across the Council.
- Following a review of the Council's performance management arrangements, monitoring of key BVPIs by Members is now focussed on 40 indicators where a target has been set to achieve top quartile status for District Councils. All BVPIs and Service improvement areas continue to be monitored by Management Board on a quarterly basis. A new performance management system is being introduced in July 2006, with the aim of providing better quality, more timely information to management.

- The Council's risk management processes have continued to be strengthened by the training of officers and members, the completion of risk management action plans across Service areas, and the production of a new Corporate Risk Register in March 2006.

Other Improvements during 2005/06

- The Council's Contract Standing Orders have been updated and a revised version was published during 2005/06.
- A revised scheme of virement was adopted in 2005/06, designed to facilitate more flexible financial management.
- In July 2005 the Council approved formal guidelines to Members on the acceptance of gifts and hospitality.
- A protocol on the use of Council facilities by Members (including IT facilities) has been agreed by the Council in liaison with the local Standards Committee.
- Revisions to the Council's planning protocol were agreed by the Council in December 2005
- A protocol to guide Members and officers when representing the Council on Outside Organisations was formally adopted during 2005/06.
- A management instruction was issued to all staff, reminding them about acceptable use of the internet. The Council's Internet Policy was revised towards the end of 2005/06 and will be re-issued to all staff in 2006/07.
- A Staff Code of Conduct was drafted in 2005/06 and will be issued to all staff in 2006/07 once it has been through the consultation process with staff representatives, and approved by the Council.
- The Council's Anti-fraud Strategy is available to the majority of staff via the Council's intranet, and induction training on the existence and purpose of the strategy is given to new Council employees.
- A policy for dealing with close personal relationships at work was introduced in July 2005. This ensures that risks are identified and managed in such circumstances.
- In order to demonstrate accountability, and improve communications with Service users and other stakeholders, a suite of annual reports for 2005/06 have been prepared. The reports cover the functions of the Cabinet, Overview and Scrutiny, the Standards Committee and the Remuneration Panel.
- All Heads of Service have again reviewed the internal controls operating within their Service Areas, and have provided assurance statements confirming their belief that appropriate controls were in place during 2005/06. The issues previously identified in 2004/05 have also been addressed in the latest statements.

6. SIGNIFICANT INTERNAL CONTROL ISSUES

- 6.1 Internal audits undertaken during 2005/06 have shown that weaknesses persist in some of the Council's systems of internal control as defined in Financial Regulations. It is proposed to assist managers and other staff by repeating the finance awareness training during 2006/07, and by issuing ad hoc advice where appropriate.
- 6.2 The quality of performance information is still not satisfactory in all Services, and both Internal and External Audit have raised concerns about the quality of PI data and an apparent lack of consistency in the approach to quality checking by managers. Improvements will be monitored with a view to avoiding such criticisms in future.
- 6.3 The arrangements for the recovery of the Council's debts has been recognised as an area for improvement, and an external consultants' report has also indicated that corporate processes are in need of review in order to improve cash flows and reduce the level of write offs. Finance and Legal Services have been working on a system of enhanced procedures. Internal Audit will be conducting a detailed review during 2006/07.
- 6.4 A number of Internal Audit reviews and investigations have suggested that there is a degree of misuse, by some staff, of the Council's internet, email, and telephone facilities. The local policies for the use of these facilities are currently under review, and will be re-issued to staff during 2006/07 with a strong message from senior management that abuse will not be tolerated.
- 6.5 On the basis of the relevant internal audit reports, the unqualified nature of the Council's accounts in recent years, and the assurance statements provided by Heads of Service, we are satisfied that, except for the matters referred to in paragraphs 6.1 to 6.4 above, the internal control arrangements for Epping Forest District Council are adequate, appropriate and operating effectively.

7. CERTIFICATION

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

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

Signatures:

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

Date:

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

Date:

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

Date:.....

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

I confirm that these accounts were approved by the Council at the meeting held on 29 June 2006.

COUNCILLOR ANN HAIGH
CHAIRMAN OF THE COUNCIL

29 June 2006

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice')

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

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

The Head of Finance has also:

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

I certify that the accounts set out on pages 1 to 43 present fairly the financial position of the Council as at 31 March 2006 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
HEAD OF FINANCE

14 June 2006

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Independent auditor's report to the Members of Epping Forest District Council

Opinion on the financial statements

I have audited the financial statements of Epping Forest District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement of Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003' (April 2004). I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes

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

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at *31 March 2006* and its income and expenditure for the year then ended.

Paul King
Audit Commission
Springvale Court
Hadleigh Road
Sproughton
Ipswich
Suffolk
IP8 3AS
[] September 2006

GLOSSARY OF TERMS

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

ACCRUALS

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

ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

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

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING ACCOUNT

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

CASH FLOW STATEMENT

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMMUTATION ADJUSTMENT

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

CONSISTENCY

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

CONSOLIDATED BALANCE SHEET

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

GLOSSARY OF TERMS

CONSOLIDATED REVENUE ACCOUNT

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

CONTINGENCY

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

CONTINGENT LIABILITIES

A contingent liability is either:

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

It is considered that a contingent liability below £50,000 need not be disclosed, as this would not be material.

CONTINGENT GAINS

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

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose nominated bodies managing the same services. There is therefore no logical basis of apportioning these costs to services.

CREDIT CEILING

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

INTANGIBLE ASSETS

Expenditure which may properly be 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.

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXTRAORDINARY ITEMS

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

GLOSSARY OF TERMS

FAIR VALUE

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

FINANCE LEASE

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

FIXED ASSETS

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

FIXED ASSET RESTATEMENT ACCOUNT

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

GENERAL FUND

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING REVENUE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INVESTMENTS

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

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

INVESTMENT PROPERTIES

Interest in land and / or buildings:

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

GLOSSARY OF TERMS

LONG-TERM CONTRACTS

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

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

POST BALANCE SHEET EVENTS

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

PRIOR YEAR ADJUSTMENTS

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

GLOSSARY OF TERMS

PROVISIONS

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

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

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

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

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

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

RELATED PARTIES

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

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

Examples of related parties of an authority include:

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

Examples of related parties of a pension fund include its:

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

These lists are not intended to be comprehensive.

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

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

GLOSSARY OF TERMS

RELATED PARTY TRANSACTION

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

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

This list is not intended to be comprehensive.

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

STOCKS

Comprise the following categories:

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

TOTAL MOVEMENTS IN RESERVES

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

GLOSSARY OF TERMS

GLOSSARY OF PENSION SCHEME RELATED TERMS

ACTUARIAL GAINS AND LOSSES

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

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

CURRENT SERVICE COST

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

CURTAILMENT

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

- (i) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

GLOSSARY OF TERMS

GLOSSARY OF PENSION SCHEME RELATED TERMS

FRS17

The new financial reporting standard FRS17 ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

INTEREST COST (PENSIONS)

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

INVESTMENTS (NON-PENSIONS FUND)

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

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

INVESTMENTS (PENSIONS FUND)

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

PAST SERVICE COST

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

PROJECTED UNIT METHOD

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

- (i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- (ii) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RETIREMENT BENEFITS

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

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

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

SCHEME LIABILITIES

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

GLOSSARY OF TERMS

GLOSSARY OF PENSION SCHEME RELATED TERMS

SETTLEMENT

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

- (i) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- (ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

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

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

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