Supplementary Council Agenda

Epping Forest District Council

Council
Thursday, 28th June, 2007

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

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7. REPORTS FROM THE LEADER, CHAIRMAN OF THE OVERVIEW AND SCRUTINY COMMITTEE AND MEMBERS OF THE CABINET (Pages 3 - 4)

To receive the attached report from the Planning and Economic Development Portfolio Holder.

12. STATUTORY STATEMENT OF ACCOUNTS - 2006/07 (Pages 5 - 82)

Statutory Statement and explanatory notes attached.

Recommendations of the Audit and Governance Committee from its meeting on 25 June 2007 will be reported at the meeting

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Report to the Council

Subject: Planning and Economic Development Portfolio **Date: 28th June 2007**

Portfolio Holder: Councillor Mrs A Grigg **Item: 7 (i)**

Recommending:

That the report of the Planning and Economic Development Portfolio Holder be noted.

Development Control Performance - March to May 2007

Development Control performance exceeded the BVPI targets in all three categories of planning applications.

Major Applications

Performance during this quarter saw 89% of applications decided within the 13 week timescale compared with the target of 60%.

Minor Applications

Performance during this quarter saw 74% of applications determined within the 8 week target period compared with the BVPI target of 65%.

Other Applications

Performance during this quarter saw 90% of applications decided within the 8 week timescale compared with the target of 80%.

Loughton Town Centre Enhancement Scheme

The snagging list has been received from Essex County Council. This needs to be resolved before Essex County Council will accept the handover. Due to Officer illness this process has slowed. The scheme is currently within budget insofar as the works are concerned. However, final costs are awaited from consultants and Essex County Council.
It has not yet been possible to fully resolve land ownership issues so as to enable the

planting of additional trees into the scheme. Discussions will continue with the County in order to determine ownership and whether the land can be construed as public highway.

The Broadway Loughton Enhancement Scheme

The letter to Transco regarding the gas main has been sent and a reply is awaited. Essex County Council has agreed the revised scheme in principle but the scheme will need a complete technical appraisal and consent. This may result in the start being delayed until Spring 2008 but we are pressing Essex County Council to give the scheme priority.

Supplementary Papers to Accompany the Statutory Statement of Accounts

1. Some of the responses from the Audit Commission on queries raised by the Head of Finance with them on the draft Statutory Statement of Accounts were only received on Monday 18 June. This has necessitated a number of changes to the draft that is on the agenda for the Audit and Governance Committee meeting on 25 June. In view of these changes and other items that have arisen in checking the first draft the attached revised draft has been issued. Members are requested to bring these documents with them to the Audit and Governance Committee meeting on 25 June and Council on 28 June.

Explanatory Comments on the Statutory Statement of Accounts

2. Last year a paper was written to accompany the Statutory Statement of Accounts to make them more accessible, aid interpretation and highlight key issues. This year a similar paper is even more necessary as there have been substantial changes to the accounts. These changes are discussed below before moving on to this year's statements themselves. Detailed reports on the Revenue and Capital Outturns have already been made to the Finance and Performance Management Cabinet Committee on 18 June and Members attention is also drawn to these reports. The Audit and Governance Committee will consider the Statutory Statement on 25 June and any comments or issues arising will be reported separately.

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes a Statement of Recommended Practice (SORP) every year that Local Authorities are required to follow in producing their financial statements. Before the SORP is published the Accounting Standards Board (ASB) approves the document. In recent years the ASB has insisted that the SORP moves closer to Generally Agreed Accounting Practices (GAAP), so that public sector financial statements more closely resemble those prepared in the private sector. This year the appearance and contents of the financial statements have changed considerably and as part of this process it has been necessary to re-state some of the figures previously reported for 2005/06.

4. In previous years the focus of the Statement of Accounts has been the Consolidated Revenue Account, which had the dual role of setting out the authority's financial performance and determining the net expenditure to be charged against council tax in the year. The new statements now required by the SORP disaggregate the Consolidated Revenue Account (and the old Statement of Total Movements on Reserves) to produce a set of statements which each have a single clear objective:

   - Income and Expenditure Account – a summary of the resources generated and consumed by the authority in the year.

   - Statement of the Movement on the General Fund Balance – a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising council tax.

   - Statement of Total Recognised Gains and Losses – demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

5. The above are described as core financial statements as all local authorities are required to produce them. There are two other core statements, the Balance Sheet and the Cashflow Statement. The Balance Sheet lists what the Council owns, what is owed to the Council and what the Council owes to others. Whilst the Balance Sheet itself did not need direct amendment to comply with the SORP some items have had to be re-stated on the Balance Sheet because of the changes to the other core statements (full details for re-stated amounts are given in the relevant statements). Similarly no direct changes were required to the Cashflow Statement, which summarises the movements in assets, liabilities and capital that have taken place during the year and their effect on the Council's holdings of cash.

Introduction and Explanatory Foreword (pages i to vii)

The introduction considers the Council's financial position, picks up the main variances from the outturn reports and comments on some future issues.

Key Issues

- The Government have delayed announcing the results of their Comprehensive Spending Review and so the level of Government grant for 2008/09 is not yet known.
- The Council has remained debt free and has been allowed to keep £1 million of capital receipts that would otherwise have been paid over to the Government.
- Revenue accounts achieved surpluses instead of the predicted deficits, with salary savings again making a major contribution.
- Some capital projects have been subject to delay and the resources carried forward to the next financial year.
- There was a significant capital receipt in the year from the sale of the Parade Ground site.
- Items that will impact on the Council in the future include:
  a) Outcome of the Comprehensive Spending Review;
  b) Top Management Review;
  c) Award of a new long term waste management contract; and
  d) Changes to concessionary fares schemes.

Statement of Accounting Policies (pages 1 to 5)

This statement sets out how the figures in the accounts have been arrived at. There have been a number of changes this year and the changes are explained both in this statement and in the accounts where the changes have impacted on the figures being reported.

Income and Expenditure Account (page 6)

This account is a summary of the resources generated and consumed by the authority in the year. As stated above this is the first time this statement has been produced and it has been necessary to re-state the 2005/06 figures using the treatments that the Council is now required to apply for 2006/07. Whilst not wishing to underplay the importance of this statement, it is vital that anyone looking at it does not concentrate on the reported deficit and jump to any conclusions. The actual impact on reserves of the year's income and expenditure is set out in the next statement.

Key Issues
- The Net Cost of Services for the year was £23.4 million.
- Total Net Operating Expenditure for the year was £26.9 million.
- The Deficit for the year was £7.6 million.

It is hoped that in subsequent periods the usefulness of this statement will become clearer and it will be possible to offer more purposeful comments on it.

The Statement of Movement on General Fund Balance (page 7)

This is a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising council tax. As such it is effectively what brings the output from the new Income and Expenditure Account back to reality. Several of the figures in the Income and Expenditure Account are prepared on a different basis to that required to get to amounts that are actually chargeable to the council tax, a total of all the individual adjustments is given by the net additional credits figure of £7.9 million.

Key Issues
- A surplus of £305,000 was generated in the year and this has been added to the General Fund Balance.
- The outturn on the General Fund was £807,000 better than anticipated in the revised estimate.

Statement of Total Recognised Gains and Losses (page 8)

This statement is a demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses. Or more simply, the statement shows the movement between the two balance sheet totals.

Key Issues
- The net worth (balance sheet total) has increased by £27.5 million.
- The increase arises from a surplus on the revaluation of fixed assets of £28.6 million, with other gains and losses largely netting off against each other.

Balance Sheet (page 9)

This lists what the Council owns, what is owed to the Council and what the Council owes to others as at 31 March 2007. This produces a figure known as Total Assets less Liabilities, which is matched by the amounts shown as Reserves.

Key Issues
- The biggest figure on the balance sheet is fixed assets, which has increased from £635 million as at 31 March 2006 to £648 million as at 31 March 2007. This increase is largely due to the revaluation of council dwellings and other land and property. During the year £8.9 million was spent on additions to fixed assets whilst some £15.4 million of assets were disposed of.
- The next largest asset is investments (both long and short term), this is money invested with selected financial institutions. Total investments at the year-end were £53.1 million, an increase of some £10 million.

- Debtors have reduced from £6.8 million to £5.9 million; this is good as it illustrates a further improvement in collection rates.
- The largest liability on the balance sheet is the Pensions Liability of £28.7 million, which has reduced by £6.4 million. This shows the extent of the Council's liability if the pension fund was to close on 31 March 2007. It does not mean that this full liability will have to be paid over in the near future.
- Creditors are very similar to last year at £8.5 million.
- The Council has substantial revenue reserves on both the General Fund (£6.8 million) and the Housing Revenue Account (£5.6 million).

Cash Flow Statement (page 10)

This summarises the movements in assets, liabilities and capital that have taken place during the year and their effect on the Council's holdings of cash.

Key Issues

- During the year cash balances decreased by £266,000.
- The largest payments out of cash in the year were £62.6 million in precepts and £27.2 million to the National Non-Domestic Rate Pool.
- The largest receipts of cash in the year were £63.2 million of Council Tax and £32.1 million from the Department for Work and Pensions to fund benefit payments.

Notes to the Core Financial Statements (pages 11 to 28)

In previous years the notes for a particular statement had immediately followed that statement. Now all of the Core Statements have to be presented together followed by all of the notes. The additional information contained in the notes has been cross-referenced on the face of each Core Statement.

Housing Revenue Income and Expenditure Account and Notes (pages 29 to 35)

The Council is required to keep a separate account of all income and expenditure that relates to the provision of council housing. In common with the main Income and Expenditure Account, it has been necessary to produce the Housing Revenue Account using different accounting treatments for 2006/07 and re-state the figures for 2005/06. This means that the HRA now also has a Statement on the Movement on HRA Balance to link the theoretical figures of the Income and Expenditure Account back to the practical movement on the balance.

Key Issues

- For the financial year 2006/07 the Income and Expenditure Account shows a deficit of £2.9 million.
- Despite the deficit mentioned above the account had a surplus of £33,000 on the year. The outturn was £538,000 better than the revised estimate.
- There were 46 properties sold during the year but there are still 6,627 dwellings managed by the Council.

Collection Fund and Notes (pages 36 to 38)

This shows the income and expenditure for the 2006/07 financial year of the Council as a billing authority in relation to the collection and distribution of the Council Tax and Non Domestic Rates. The Council Tax paid by the residents of the Epping Forest District for 2006/07 was shared in the following proportions between a number of different organisations:

Essex County Council	73.1%
Epping Forest District Council	10.3%
Essex Police Authority	8.5%
Essex Fire Authority	4.4%
Parish/Town Councils	3.7%

Key Issues

- Collection rates for both Council Tax (98.20%) and Non Domestic Rates (99.01%) were up again (previously 98.02% and 98.86% respectively).
- Council Tax income was £70.6 million, of which £7.2 million was retained by EFDC.
- Non Domestic Rate income was £27.3 million. EFDC was allowed to retain £169,000 to help pay for the costs of collection and received £7.2 million of funding back from the National NDR Pool.

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STATUTORY STATEMENT OF ACCOUNTS

Financial Year Ending 31 March 2007

Epping Forest District Council

STATUTORY STATEMENT OF ACCOUNTS 2006/07

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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

INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes a Statement of Recommended Practice (SORP) every year that Local Authorities are required to follow in producing their financial statements. Before the SORP is published the Accounting Standards Board (ASB) approves the document. In recent years the ASB has insisted that the SORP moves closer to Generally Agreed Accounting Practices (GAAP), so that public sector financial statements more closely resemble those prepared in the private sector. This year the appearance and contents of the financial statements have changed considerably and as part of this process it has been necessary to re-state some of the figures previously reported for 2005/06.

In previous years the focus of the Statement of Accounts has been the Consolidated Revenue Account, which had the dual role of setting out the authority's financial performance and determining the net expenditure to be charged against council tax in the year. The new statements now required by the SORP disaggregate the Consolidated Revenue Account (and the old Statement of Total Movements on Reserves) to produce a set of statements which each have a single clear objective:

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In previous years I have taken the opportunity to comment on the Council's level of financial support from Government and any changes to the funding formulae. As the results of the Comprehensive Spending Review are still awaited I am unable to comment yet on 2008/09, although in setting the context for 2006/07 it is useful to reproduce the 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%	9.00%	6.20%
Floor Support/(Loss)	0.412	n/a	-0.49	-0.189

The Council had approached 2006/07 anticipating using the additional grant funding to develop priority services. Unfortunately, this was not to be as the waste management contractor was placed in administration early in the financial year and a considerable amount of additional resource had to be used firstly to work with the administrator and then with an interim contractor. The process to appoint a new long-term contractor is now reaching an end, with tenders currently being evaluated.

The Council's debt free status has again been rewarded in 2006/07, as debt free authorities had the final year of transitional relief from the Government's pooling requirements for capital receipts. This benefit was worth just under £1m in 2006/07, down from £1.6 million in 2005/06 and £3.2 million in 2004/05. The reducing amounts reflect the fact that the percentage eligible for relief reduced from 75% to 50% to 25% in the final year of the scheme.

The Balance Sheet (Note 34, page 24) shows that the pensions liability for the Council has reduced in the year from £35.1 million to £28.7 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 2007. 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 better than was anticipated when the revised estimates were set. A predicted General Fund deficit of £502,000 has not materialised and in fact a surplus of £305,000 occurred. Similarly the Housing Revenue Account has achieved a surplus of some £33,000 compared to the revised estimate of a £505,000 deficit. 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 2006/07.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2006/07.

General Fund	**Original Estimate £000's**	**Revised Estimate £000's**	**Actual Spend £000's**	**Variance from Original £000's**	**Variance from Revised £000's**
Net Expenditure after Adjustments	15,403	16,294	15,487	84	(807)
Government Grants and Local Taxation	15,792	15,792	15,792	0	0
(Contribution to)/from Balances	**(389)**	**502**	**(305)**	**84**	**(807)**
Opening Balances - 1/4/06	(6,456)	(6,456)	(6,456)	0	0
(Contribution to)/from Balances	(389)	502	(305)	84	(807)
Closing Balances - 31/3/07	**(6,845)**	**(5,954)**	**(6,761)**	**84**	**(807)**

Net expenditure for 2006/07 totalled £15.487 million, which was £84,000 (0.5%) above the original estimate and £807,000 (5.2%) below the revised. When compared to a gross expenditure budget of approximately £60 million, the variances can be restated as 0.1% and 1.4% 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's	Revised Estimate £000's	Actual Spend £000's	Variance from Original £000's	Variance from Revised £000's
Opening CSB	14,480	14,406	13,951	(529)	(455)
In Year Growth	1,245	2,581	2,219	974	(362)
In Year Savings	(472)	(843)	(833)	(361)	10
Total Continuing Services Budget	**15,253**	**16,144**	**15,337**	**84**	**(807)**
DDF - Expenditure	2,137	2,937	1,987	(150)	(950)
DDF - One Off Savings	(1,141)	(1,497)	(2,161)	(1,020)	(664)
Total DDF	**996**	**1,440**	**(174)**	**(1,170)**	**(1,614)**
Appropriations	(846)	(1,290)	324	1,170	1,614
Net Expenditure	**15,403**	**16,294**	**15,487**	**84**	**(807)**

Continuing Services Budget

CSB expenditure was £84,000 above the original estimate and £807,000 lower than the revised. The variances have arisen on both the opening CSB, £455,000 lower than the revised estimate and the in year figures, £352,000 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 £17.9 million compared against an original estimate of £18.7 million. The salary savings have arisen from vacancies amongst both General Fund and Housing Revenue Account staff; the element of saving for the General Fund included in the table above is some £480,000.

In addition to the salary saving on the opening CSB there were also savings on the in-year growth for staff related costs. Following reorganisations both ICT and Planning were seeking to recruit additional staff. However, the market for such staff is very competitive and underspends of £70,000 and £20,000 arose in ICT and Planning respectively.

The in year CSB growth figure was increased substantially due to the former waste management contractor going into administration and a new contractor being sought at short notice. A supplementary CSB budget of £1.5 million was approved to deal with the additional costs of the contract. Close management of the contract and the decision to purchase the refuse fleet have meant that revenue costs have been kept to a minimum and a saving of £168,000 has been achieved on this figure.

The introduction of the debt recovery policy and subsequent improvement in debt collection rates has shown the bad debt provision to be too high, therefore a reduction in the provision has been made which shows as a saving on the General Fund. Other savings were relatively minor.

District Development Fund

Net DDF expenditure was £1,170,000 below the original estimate and £1,614,000 below the revised. There are requests for carry forwards totalling £873,000 and therefore the variation actually equates to a £741,000 net underspend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision.

The DDF increased between the Original and Revised position by some £444,000; this was due to a mixture of items brought forward from 2005/06 and new items identified during 2006/07, the major item in the latter category being in relation to waste mangement. There were also items of income to the General Fund totalling £1,091,000 which have then been appropriated to the DDF, this exceeds the revised estimate by £358,000. The largest variation was seen on the Local Authority Business Growth Incentive Scheme (LABGI). Indications were that an increase on the original estimate would occur though the magnitude of the increase (£303,000 on the revised figure) did not become apparent until extremely late in the financial year.

Three 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. However interest on investments exceeded expectations and this has been shown as increased DDF income. There was also a significant underspend on the waste management DDF and £389,000 will be carried forward. This carry forward is necessary pending a full review of the budgetary requirements to carry out the new waste mangement contract once the new contractor and the exact services to be provided are known.

The appropriation of additional income items and the large under spend mean the balance on the DDF has increased to £3.2 million. Although the majority of this is committed to financing the present programme there is some £1.5 million in the DDF that is 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's**	**Revised Estimate £000's**	**Actual Spend £000's**	**Variance from Original £000's**	**Variance from Revised £000's**
Revenue Expenditure	13,030	13,307	12,905	(125)	(402)
HRA Subsidy Payable	8,345	8,230	8,229	(116)	(1)
Depreciation	8,381	7,638	7,766	(615)	128
Total Expenditure	**29,756**	**29,175**	**28,900**	**(856)**	**(275)**
Gross Dwelling Rents	22,157	22,094	22,039	118	55
Other Rents and Charges	4,292	4,271	4,413	(121)	(142)
Total Income	**26,449**	**26,365**	**26,452**	**(3)**	**(87)**
Net Cost of Service	**3,307**	**2,810**	**2,448**	**(859)**	**(362)**
Interest and Other Transfers	1,374	1,726	1,735	(361)	(9)
Transfer from Major Repairs Reserve	3,854	3,111	3,239	615	(128)
Net Operating Income	**(1,921)**	**(2,027)**	**(2,526)**	**(605)**	**(499)**
Appropriations					
Capital Expenditure Charged to Revenue	2,150	2,388	2,388	238	0
Other	188	144	105	(83)	(39)
Deficit/(Surplus) for Year	**417**	**505**	**(33)**	**(450)**	**(538)**
Opening Balance - 1/4/06	(5,599)	(5,599)	(5,599)		
Deficit/(Surplus) for year	417	505	(33)	(450)	(538)
Closing Balance - 31/3/07	**(5,182)**	**(5,094)**	**(5,632)**	**(450)**	**(538)**

A Deficit within the HRA of £417,000 and £505,000 was expected within its original and revised revenue budgets respectively, in the event a surplus of £33,000 was generated. The main differences between the actual figures and the revised estimates were savings on management and maintenance costs of £402,000. This mainly related to employee costs, though there were also savings on grounds maintenance, heating and lighting, sheltered unit management and the Estate Management budget.

Rental income was slightly down due to an increase in council house sales toward the end of the financial year however non dwelling rents, particularly from commercial properties were higher than expected.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2006/07.

Capital Expenditure and Financing	**Original Estimate £000's**	**Revised Estimate £000's**	**Actual Spend £000's**	**Variance from Original £000's**	**Variance from Revised £000's**
Non-Housing	9,197	5,300	4,244	(4,953)	(1,056)
Housing	9,080	10,315	6,256	(2,824)	(4,059)
Total Expenditure	**18,277**	**15,615**	**10,500**	**(7,777)**	**(5,115)**
Grants	1,239	1,271	1,190	(49)	(81)
Capital Receipts	9,575	7,127	4,738	(4,837)	(2,389)
Revenue Contributions	7,463	7,217	4,572	(2,891)	(2,645)
Total Financing	**18,277**	**15,615**	**10,500**	**(7,777)**	**(5,115)**

The table identifies a net underspend of £5,115,000, against the revised estimate. Some of this has been established as genuine savings. However, the majority represents slippage and expenditure has therefore currently been re-phased into 2007/08.

The main areas of slippage on non-housing items were parking and traffic schemes (£342,000), ICT (various projects totalling £206,000) and town centre enhancements (£186,000). On the housing programme the greatest slippage was on affordable housing contributions and planned maintenance; both of these areas will have carry forwards of £1 million. There was also significant slippage in the housing programme on structural schemes (£505,000) and the compulsory purchase of a hazardous property (£378,000).

Following a series of reductions in the level of council house sales from 139 in 2003/04 to 61 in 2004/05 and 40 in 2005/06 the forecast for 2006/07 was set at 35. However, the recent trend of falling sales was reversed with a total of 46 sales completed in the year. There was also the disposal of the Parade Ground Site in 2006/07, which produced a capital receipt of some £8.7 million. The Council has substantial capital resources available to it and given the level of these the Council is likely to remain debt free for the foreseeable future. The movements in capital resources are set out in the tables below:

Usable Capital Receipt Balances	**Original Estimate £000's**	**Revised Estimate £000's**	**Actual Spend £000's**	**Variance from Original £000's**	**Variance from Revised £000's**
Opening Balance - 1/4/06	18,864	20,073	20,073	1,209	0
Usable Receipts Arising (after pooling)	718	9,843	10,100	9,382	257
Transitional Payment from Pool	427	722	987	560	265
Use of Transitional Relief Receipts	(927)	(1,722)	(987)	(60)	735
Use of Other Capital Receipts	(8,648)	(5,405)	(3,748)	4,900	1,657
Closing Balance - 31/3/07	**10,434**	**23,511**	**26,425**	**15,991**	**2,914**

Major Repairs Reserve	Original Estimate	Revised Estimate	Actual Spend	Variance from Original	Variance from Revised
Opening Balance - 1/4/06	1,339	3,312	3,312	1,973	0
Major Repairs Allowance	4,527	4,527	4,527		
Use of MRR	(5,313)	(4,829)	(2,184)	3,129	2,645
Closing Balance - 31/3/07	**553**	**3,010**	**5,655**	**5,102**	**2,645**

THE FUTURE

As no figures have yet been confirmed for the 2008/09 to 2010/11 Comprehensive Spending Review all local authorities are in a period of uncertainty. Having introduced a new grant allocation mechanism for 2006/07 and 2007/08 it is hoped that the Department for Communities and Local Government (DCLG) will not be making substantial changes this time around. One area where improvements could be made is in the overall clarity and transparency of the system, as it appeared that the invention of Relative Needs Formulae was intended to obstruct those seeking to understand and explain the process by which formula grant is determined.

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 does provide some assurance that, whatever changes are made to the system, the Council should at least get a floor increase on top of the increases for 2006/07 and 2007/08 (see table on page i).

In contemplating future changes to the overall system of financing Local Government, much had been expected from the 'Lyons Review'. Unfortunately it now appears that few changes will follow from the review with a reforming of the Council Tax and the returning of National Non-Domestic Rates to local control appearing less likely than ever. As there is only one year left under the requirements of the Gershon efficiency initiative some further targets are anticipated for 2008/09 onwards. The possibility of a 3% cashable requirement to replace the 2.5% half cashable requirement has been raised but this is still to be confirmed. Under the current efficiency regime authorities retain their gains for use either on service development or to minimise council tax increases. However, there is concern that the DCLG may now deduct efficiency gains from grant settlements.

The Council is in a challenging period of significant organisational change. Having had Joint Chief Executives for a number of years the Council is reverting to a single Chief Executive from 1 August 2007. As part of a wider top management review the number of Heads of Service will also be reduced and this will necessitate some service areas combining. This process should improve organisational efficiency and assist with the removal of waste and the duplication of effort.

A major uncertainty in terms of service provision is who will emerge from the current competitive tendering exercise as the Council's new long-term waste management contractor and what will be the basis of the service. Tenderers were required to provide prices for two different levels of service, an all year round weekly collection of residual waste or a summer time only weekly collection with the remainder of the year having residual collections on a fortnightly basis. The detailed tenders have now been returned and are being evaluated.

Another major change in service will take place with concessionary fares from 1 April 2008. From this date 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. Despite the relatively short time remaining now before this change the Government has still to anounce the exact mechanisms of how the change is meant to work and how local authorities will be reimbursed. The previous change to concessionary fares allowing free travel instead of half fare was introduced on 1 April 2006. This change was under funded and left some authorities having to either make cuts in other services or increase council tax to make up the shortfall, It is extremely difficult to predict the significant changes to such a widely used service but is hoped the Government will be prudent this time round and not create further funding pressures.

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 £4.5 million if budget projections are to increase

in line with expectations: the net budget requirement is expected to have reached £18 million by 2010/11. The current balance stands at just over £6.6 million. As part of the budget setting process Members considered an updated four-year forecast for the General Fund that included deficit budgets from 2007/08 onwards. This forecast suggested that the General Fund revenue balance could fall to less than half the required amount by the end of 2010/11 if nothing was done. Members asked that the four year strategy be prepared to bring the net budget requirement and revenue balances back in line once the cost of the new waste management contract was known. Preliminary work has already commenced on this strategy and it will form the basis for the discussions on the budget for 2008/09 and subsequent years.

Cabinet approved an updated five-year forecast for the Housing Revenue Account on 12 March 2007. 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 £5.63 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 in excess of £24 million, inclusive of amounts carried forward from 2006/07. 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 nearly £10 million, again inclusive of amounts carried forward from 2006/07. Civil Engineering and Maintenance has the largest programme, with some £3.5 million being spent of which £2.2 million is for town centre enhancements. The other major projects in the programme include £1.7 million for IT projects and £1.4 million for Bobbingworth Tip.

The Council's financial strength meant that it was able to deal with the collapse of the waste management contractor without having to cut other services. This foreword has highlighted that despite the difficulties encountered in 2006/07 the Council still has considerable revenue and capital resources at its disposal. However, there is considerable uncertainty in terms of future grant settlements and possible financial pressures from waste management, concessionary fares and other priority areas. It is important now to conclude the work on an updated four-year financial strategy 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 2006. 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 requirements of the latest Urgent Issue Task Force's Abstracts extant at 2 February 2007, except where these are inconsistent with specific statutory requirements, and supercedes 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 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 impairment, such as obsolescence or decline in market value, is taken to the fixed asset restatement account. If however the impairment has been caused by the consumption of economic benefits then this is recognised in the Income and Expenditure account in the year when the impairment occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation. The valuation date is 31 March 2006 for Council Dwellings.

Revaluations of individual assets are also undertaken when a material change happens. In 2006/07 this was the case at Ongar Sports Centre where extensive refurbishment works resulted in significantly increased facilities, so materially increasing its value. Infrastructure and community assets do not have a value attributed to them and therefore their value is based on the historic cost of providing the asset. Surplus assets, which are identified for sale on the open market, are revalued at market value which reflects any changes in planning permission granted.

STATEMENT OF ACCOUNTING POLICIES

Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use. Investment properties are included in the balance sheet at the lower of net current replacement cost and net realisable value (open market value). Infrastructure assets, community assets and assets that are surplus to requirements are included in the balance sheet at written down historical cost. Council dwellings have been included in the balance sheet at their open market value in existing use for social housing.

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

Type of Asset	Valuation Method	Estimated Useful Life (Years)
Council Dwellings and Garages	Existing use value for social housing Existing use value	20 to 60
Other land and buidlings	Existing use value	20 to 50
Infrastructure assets	Depreciated Historic Cost	15 to 40
Community assets	Historic Cost	Indeterminable
Vehicles, plant, furniture and equipment	Depreciated historic cost	5 to 20
Non-operational assets	Existing use value Market value Historic Cost	40 to 60

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 12).

Where a fixed asset has been disposed of, the profit or loss on disposal is applied to the Income and Expenditure account with corresponding entries to Fixed Assets and Cash/Debtors. Subsequently the income derived is credited to the Usable Capital Receipts reserve, and accounted for on an accruals basis. The profit or loss on disposal is then reversed within the Statement of Movement on General Fund Balance to neutralise the effect on the General Fund of the entry in the Income and Expenditure Account. Upon disposal, the net book value of the asset is written off against the Fixed Asset Restatement Account. (See Note 24, Page 21).

5. DEPRECIATION

In accordance with the provisions of FRS 15, assets are depreciated on a straight-line basis over their useful economic life. Buildings are depreciated over 60 years, vehicles over 7 years and other equipment over 5 years. Where a unique asset is purchased or constructed the useful life is assessed based on information available concerning that asset. The only general exceptions to this are freehold land 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.

STATEMENT OF ACCOUNTING POLICIES

6. INTANGIBLE ASSETS

Intangible Assets are payments of a capital nature where no tangible fixed asset is created but which are expected to yield future economic benefits to the Council. Software is considered as an intangible asset as it fulfils the two tests above, it is the Council's policy to capitalise such expenditure but amortise it to revenue in the year of purchase.

7. CHARGES FOR CAPITAL

Notional Interest charges previously made to users for the use of assets in their control have been abolished, the prior year figures have also been restated to remove the effect of notional interest charges in that year. Previously an Asset Management Revenue Account containing the notional interest reversals existed, this is now defunct and all the entries previously passing through the account are allocated elsewhere. Interest payable and investment income are shown separately on the face of the Income and Expenditure Account, the depreciation reversals form part of the difference between the surplus/deficit on the Income and Expenditure account and the movement in the General Fund Balance. Government Grants deferred are applied to the relevant service accounts.

Amounts set aside from revenue to finance capital spending and amounts transferred to Earmarked Reserves previously disclosed as appropriations, within the Consolidated Revenue Account, after net operating expenditure are now dealt with in the Statement of Movement on General Fund Balance.

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

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 2006/07 of £359,600 (General Fund) and £168,602 (Housing Revenue Account). These amounts have been charged to a reserve that was specifically established for this purpose.

Due to an expected increase in capitalisation directions it was decided not to seek such a direction 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. 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 of 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.

STATEMENT OF ACCOUNTING POLICIES

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 central government 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 2006/07 the transitional arrangements mean that of the 75% poolable amount 25% can be retained. The amount that remains with the Council is credited to Usable Capital Receipts Reserve and is therefore available to fund capital expenditure.

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 Income and Expenditure Account over the useful life of the asset, to match the depreciation of the asset to which it relates. (See Note 23, Page 21.) 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 2007.

14. COST OF SUPPORT SERVICES AND SERVICE ADMINSTRATION

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 (Note18, Page 20).

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 were renamed as 'Accounts' within the balance sheet in 2005/06. 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 24/25 on pages 21 & 22 and the Statement of Total Recognised Gains and Losses on page 8).

STATEMENT OF ACCOUNTING POLICIES

17. PENSIONS

Accounting policies relating to pensions is to recognise liabilities in the accounts the commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

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

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.74% (0.62% 2005/06) lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.64% (0.76% 2005/06) 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 4.12% (5.54% 2005/06).

18. INTERNAL INTEREST

Interest is credited to the Housing Revenue Account based on the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the Housing Revenue Account Item 8 Credit and Item 8 Debit (general) Determinations 2006/07.

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 2006/07 was 2.96% (4.31% 2005/06).
HMRC have previously agreed the Council`s method of calculation.

20. LEASES

Finance Leases : The Council has no agreements that fall to be treated as finance leases.

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

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

Various Council assets such as HRA shops,industrial estate units, and areas of land , are let to tenants under the heading operating leases, and the fixed assets are recorded and depreciated as appropriate over their useful life. Rental income (net of cast incentives for a lessee to sign a lease) is credited to service revenue accounts on a straight line basis over the period of the lease.

THE INCOME & EXPENDITURE ACCOUNT

CONSOLIDATED EXPENSES	Note	2006/07 Gross Expend £000	2006/07 Income £000	2006/07 Net Expend £000	2005/06 Net Expend £000
Continuing Operations					
Central Services	1/2/3/4/5	10,035	9,083	952	1,431
Corporate and Democratic Core	1/2	2,761	0	2,761	2,289
Cultural Related	1/7	4,185	303	3,882	4,505
Environmental Services	1/6	9,443	1,426	8,017	5,601
Highways and Transport	1/2	2,482	1,930	552	79
Housing	1/2	26,829	25,393	1,436	1,040
Planning & Development	1/8	4,024	1,216	2,808	2,455
Past Service/Settlement Gain		0	0	0	(2,169)
Housing Revenue Account		29,291	26,329	2,962	1,178
NET COST OF SERVICES		89,050	65,680	23,370	16,409
(Gain)/Loss on disposal of fixed assets				1,348	(1)
Precepts paid to Parish councils				2,582	2,367
Total Net Surplus from Trading Operations	9			(1,372)	(1,520)
Interest payable and similar charges				46	47
Housing Capital Receipts Pool				2,961	1,638
Interest and Investment Income				(2,853)	(2,386)
Pensions Interest/Return on Investments				832	1,346
TOTAL NET OPERATING EXPENDITURE				26,914	17,900
AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS					
Receipts from the Collection Fund				(9,742)	(9,317)
Transfers to / (from) the Collection Fund				(5)	(34)
Revenue Support and other General Grants				(2,312)	(4,327)
Distribution from the Non-Domestic Rate Pool				(7,231)	(3,500)
DEFICIT FOR YEAR				7,624	722

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the councils actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

- The payment of a share of housing capitals receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than from council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned.

The General Fund Balance compares the councils spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmaked for the future.

This reconciliation statement summarises the differences between the outturn in the Income and Expenditure Account and the General Fund Balance

	2006/07 £'000s	***2005/06 £'000s***
INCREASE IN THE GENERAL FUND BALANCE		
Deficit for the year on the Income and Expenditure Account	**7,624**	***722***
Net additional credits	**(7,929)**	***(1,690)***
Surplus for the year	**(305)**	***(968)***
General Fund Balance brought forward	**(6,456)**	***(5,488)***
General Fund Balance carried forward	**(6,761)**	***(6,456)***

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in it's net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits. Other gains and losses are made up of the change in the collection fund balance which represents the amount attributable to this council, and the change in value of deferred capital receipts under the rents to mortgages scheme.

	31 MARCH 2007 **£000**	***31 MARCH 2006*** ***£000***
(Deficit) on the Income/Expenditure Account	**(7,624)**	***(722)***
(Deficit)/Surplus arising on revaluation of Fixed Assets	**28,571**	***(59,477)***
Actuarial gains/(losses) on Pension Fund Assets/Liabilities	**6,397**	***1,215***
Other gains/(losses)	**145**	***538***
Total recognised gains and losses	**27,489**	***(58,446)***

BALANCE SHEET

	Note	31 MARCH 2007 £000	31 MARCH 2007 £000	*31 MARCH 2006 £000*	*31 MARCH 2006 £000*
LONG TERM ASSETS					
Fixed Assets	13		648,277		*635,144*
Intangible Assets	14		0		*0*
Investments	15		13,124		*5,124*
Long Term Debtors	16		2,009		*2,497*
TOTAL LONG TERM ASSETS			663,410		*642,765*
Current Assets					
Stocks and Work in progress	17	311		*294*	
Debtors	18	5,926		*6,800*	
Short Term Temporary Investments		40,000		*38,000*	
Cash at Bank and in Hand		1,686	47,923	*1,626*	*46,720*
Current Liabilities					
Creditors and Prepayments	19	(8,500)		*(8,498)*	
Bank Overdraft		(502)	(9,002)	*(176)*	*(8,674)*
TOTAL ASSETS LESS CURRENT LIABILITIES			702,331		*680,811*
Deferred Revenue Income	21		(861)		*(1,103)*
Pensions Liability			(28,702)		*(35,053)*
Capital Contributions Deferred	22		(377)		*(419)*
Government Grants Deferred	23		(3,686)		*(3,020)*
TOTAL ASSETS LESS LIABILITIES			668,705		*641,216*
RESERVES					
Fixed Asset Restatement Account	24		566,835		*553,565*
Capital Financing Account	25		76,309		*77,112*
Usable Capital Receipts	26		26,425		*20,073*
Pensions Reserve			(28,702)		*(35,053)*
Major Repairs Reserve	9(HRA)		5,655		*3,312*
Earmarked Reserves	27		8,648		*9,059*
Revenue Balances	28		12,444		*12,043*
Deferred Capital Receipts	29		1,091		*1,105*
			668,705		*641,216*

I certify that the Statement of Accounts presents fairly the financial position of Epping Forest District Council as at 31 March 2007, and its income and expenditure for the year ended as at that date.

ROBERT PALMER BA ACA
HEAD OF FINANCE

25 June 2007

THE CASH FLOW STATEMENT

		Note	31 March 2007		*31 March 2006*	
			£000	£000	*£000*	*£000*
REVENUE ACTIVITIES						
Out	Cash paid to and on behalf of Employees		19,185		*19,789*	
	Other Operating Cash Payments		23,664		*24,281*	
	Housing Benefit Paid Out		11,524		*10,552*	
	National Non-Domestic Rate Payments to National Pool		27,153		*24,215*	
	Precepts Paid		62,641		*59,644*	
	HRA Subsidy payable		8,229		*7,749*	
	Payments to Capital receipts Pool		2,590		*1,314*	
				154,986		*147,544*
In	Rents (after Rebates)		17,245		*15,148*	
	Council Tax Receipts		63,295		*59,716*	
	National Non-Domestic Rate Receipts from National Pool		7,231		*3,500*	
	Non-Domestic Rate Income		27,408		*24,601*	
	Revenue Support Grant		1,401		*3,799*	
	DWP Grants for Benefits		32,073		*29,930*	
	Other Government Grants		1,704		*940*	
	Cash Received for Goods and Services		7,168		*12,007*	
	Poolable Receipts received		2,961	160,488	*1,638*	*151,279*
	Net Cash Flow from Revenue Activities			(5,502)		*(3,735)*
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE						
Out	Interest Paid		4			*1*
In	Interest Received		2,513	2,509		*(2,457)*
	Net Cash Flow from Investments and Servicing of Finance			(2,509)		*(2,456)*
CAPITAL ACTIVITIES						
Out	Purchase of Fixed Assets		8,876		*10,522*	
	Purchase of long term investments		8,000		*5,000*	
	Other Capital cash Payments		630	17,506	*861*	*16,383*
In	Sale of Fixed Assets and Repayment of Mortgages		9,748		*2,656*	
	Capital Grants Received		774		*339*	
	Other Capital Cash Income		707	11,230	*885*	*3,880*
	Net Cash Flow from Capital Activities			6,277		12,503
MANAGEMENT OF LIQUID RESOURCES						
	Net Increase/(Decrease) in short-term deposits			2,000		(6,600)
FINANCING						
	Repayment of Amounts Borrowed			0		*0*
	Net (Increase)/Decrease in Cash			266		(288)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. EXPLANATION OF PRIOR PERIOD ADJUSTMENTS

In the 2006/07 Statement of Accounts, the council has adopted three significant new accounting policies that impact the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 Statement of Accounts (only figures that have changed are included in the table)

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000's	Removal of Capital Financing Charges £000's	Relocation of government grants deferred credits £000's	Recognition of gains and losses on disposals of fixed assets £000's	2005/06 comparatives in Income and Expenditure Account £000's
Central services / Corporate & Democratic Core	4,051	(325)	(6)		3,720
Cultural related	5,293	(832)	44		4,505
Environmental Services	5,817	(149)			5,668
Highways and Transport	574	(495)			79
Housing / Housing Revenue Account	21,961	(19,473)	(270)		2,218
Planning and Development	2,049	(75)	420		2,394
Building Control/Off Street Parking					(6)
	39,745	(21,349)	188	0	18,578

The revised Environmental Services net expenditure includes a net surplus of £67,000 relating to Off Street Parking, while Planning & Development includes a net deficit of £61,000 relating to Building Control, this results in the adjustment of £,6000. Corporate and Democratic Core which was previously consolidated in Central Services in now shown as a separate item. Similarly, the Housing Revenue Account previously consolidated in Housing has also been separated.

NOTES TO THE CORE FINANCIAL STATEMENTS

2. OPERATING LEASES

Leasing rentals are charged to service revenue accounts .

The Council has entered various leasing agreements relating to cars, operational vehicles, printing equipment and vending equipment. All of the leases are categorised as operating leases. The arrangements provide for charges to be made evenly throughout the period of the lease.

	2006/2007 £`000	***2005/2006 £`000***
Cars	337	*313*
Operational Vehicles	188	*89*
Printing Equipment	6	*6*
Vending Equipment	5	*5*
Total	**536**	***413***

The Council is committed to making payments of **£281,000** in 2007/2008 made up as follows.

	Land & Buildings £`000	**Vehicles & Equipment £`000**	**Total £`000**
Leases expiring in 2007/2008	0	23	23
Leases expiring between 2008/2009 and 2012/2013	0	258	258
Leases expiring after 2012/2013	0	0	0
Total	**0**	**281**	**281**

The Council also has leases with third parties under operating leases with rental income from the lease being credited to service revenue accounts, as detailed below.

Assets Leased to Third Parties	**2006/2007 £`000**	***2005/2006 £`000***
Land & Buildings		
Shops	1,543	*1,485*
Industrial & Commercial	919	*852*
Other	1,492	*1,537*
Total Rental Receivable	**3,954**	***3,874***

Gross Amount of Assets held for use in operating leases.

	2006/2007 £`000	***2005/2006 £`000***
Land & Buildings		
Shops	12,952	*12,956*
Industrial & Commercial	16,539	*11,080*
Other	12,120	*18,591*
Total Assets	**41,611**	***42,627***

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2006/07 is shown below.

	2006/07 £000	*2005/06 £000*
General Advertising	42	*51*
Recruitment Advertising	113	*181*
Council Website	92	*76*
Other Publicity - including the Council's Forester Magazine	220	*191*
Total	**467**	***499***

4. MEMBER ALLOWANCES AND OFFICER REMUNERATION

Member allowances, including expenses, totalled £227,762 in 2006/07 (£188,010 in 2005/06).

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

	2006/07		*2005/06*	
Remuneration Band	**Number of Employees**	**Left in Year**	***Number of Employees***	***Left in Year***
£50,000 - £59,999	5	-	*3*	-
£60,000 - £69,999	6	-	*8*	-
£70,000 - £79,999	1	-	-	-
£80,000 - £89,999	-	-	-	-
£90,000 - £99,999	-	-	-	-
£100,000 - £109,999	-	-	*2*	-
£110,000 - £119,999	2	-	-	-

5. AUDIT COMMISSION FEES

The following audit fees have been paid to the Audit Commission

	2006/07 £000	*2005/06 £000*
External audit services in accordance with section 5 of the Audit Commission Act 1998	124	*119*
Statutory inspection under section 10 of the Local Government Act 1999	0	*0*
Certification of grant claims and returns under section 28 of the Audit Commission Act 1998	44	*44*
Total	***168***	***163***

6. AGENCY AND CONTRACTED SERVICES

An agency arrangement was entered into between the Council and the Environment Agency in respect of the maintenance of the Critical Ordinary Watercourses (COWS) within the district. Expenditure of £100,000 was incurred during 2006/07 (£nil 2005/06), which was fully reimbursed.

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 £234,650 for the benefit of people in their area on activities or projects not specifically authorised by other powers. Expenditure amounts to £124,120 in 2006/07 (£104,555 in 2005/06). This was expended on grant aid to charities and non profit making bodies.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 deficit has been taken to the Building Control Charging Account.

	2006/07 £000	***2005/06 £000***
Income	562	*511*
Expenditure	603	*572*
Deficit	**(41)**	***(61)***

9. TRADING OPERATIONS

The following gross income and expenditure figures are included under the appropriate service area. The expenditure figures do not include capital financing charges as the latest SORP has now removed this requirement.

Industrial Estates & Other	**2006/07 £000**	***2005/06 £000***
Income	1,013	*969*
Expenditure	107	*66*
Surplus	**906**	***903***
North Weald Centre		
Income	1,241	*1,381*
Expenditure	775	*764*
Surplus	**466**	***617***
Total Surplus	**1,372**	***1,520***

10. MINIMUM REVENUE PROVISION (MRP)

The Capital Financing Requirement (CFR) is negative at 31 March 2007. As a result no MRP has been made.

NOTES TO THE CORE FINANCIAL STATEMENTS

11. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled by the Council). During 2006/2007 the most significant related party transactions have been with government departments and precepting bodies (including parish councils). Details of financial transactions with these bodies are disclosed in the Income and Expenditure Account, Collection Fund and Cash Flow Statement, and associated notes. Other material related party transactions for 2006/2007 which are not fully disclosed elsewhere in the Statement of Accounts were as follows.

	2006/07		***2005/06***	
	£'s	**£'s**	***£'s***	***£'s***
	Receipts	**Payments**	***Receipts***	***Payments***
Transactions with organisations related by a declared interest of Council Members or Senior Council Officers.				
Citizens Advice Bureau		105,060		*102,500*
Grants to Voluntary Organisations		123,720		*104,555*
Essex Women's Refuge		16,048		*15,657*
Voluntary Action Epping Forest	10,100	46,380	*6,713*	*30,750*
Epping Forest Crime & Disorder reduction Partnership	151,697	150,538	*151,698*	*147,808*
Various groups in the District relating to Safer Community project payments		25,152		*25,000*
Local Government Association		11,609		*11,609*
Association of Essex Councils		2,050		*2,000*
East of England Local Government Conference		12,423		*12,263*
CIPFA		3,780		*2,800*
Waltham Abbey Tourist Information Centre		15,000		*15,000*
Various Hotels - Bed & Breakfast Accommodation for the homeless		341,238		*336,709*
Essex Wild Life Trust		25,530		*25,530*
Essex Police - Community Support		79,751		*62,330*

NOTES TO THE CORE FINANCIAL STATEMENTS

12. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

There are some items that appear within the Income and Expenditure Account that should not be taken into account when determining the budget requirement and indeed the Authorities Council Tax Demand. E.g. Depreciation charges are a proper charge to the Income and Expenditure Account but cannot be charged to the Councils General Fund. Similarly some items can be charged to the General Fund but are excluded from the Income and Expenditure Account, capital expenditure can be charged to the General Fund but the Income and Expenditure Account excludes all capital expenditure. The statement shows the debit or credit required to bring the surplus or deficit on the Income and Expenditure Account to the actual change in the General Fund balance.

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

		2006/07 £ '000's			*2005/06 £ '000's*	
AMOUNTS TO BE EXCLUDED						
Reversal of General Fund Depreciation		(1,112)			*(1,047)*	
Excess of depreciation charged to HRA services over the MRA element of Housing Subsidy		(3,239)			*(2,731)*	
Deferred Charges and Intangibles		(1,633)			*(917)*	
Commutation Adjustment		0			*(270)*	
Grants released		252			*170*	
Net gain/(loss) on disposal of fixed assets		(1,346)			*1*	
Difference on Pension Calculations		(3,425)			*(1,487)*	
			(10,503)			*(6,281)*
AMOUNTS TO BE INCLUDED						
Employers contributions payable to the pension fund	3,379			*3,327*		
Less Capital direction received	(529)			*(852)*		
		2,850			*2,475*	
Leaseholder contributions		149			*255*	
Capital expenditure charged to general fund balance		2,388			*2,000*	
Transfer from usable capital receipts equal to the amount payable into the Housing Receipts Pool		(2,961)			*(1,638)*	
			2,426			*3,092*
TRANSFERS						
Transfers of surplus/deficit for the year on Housing Revenue Account		33			*765*	
Transfer from Housing repairs reserve		173			*27*	
Transfer to other reserves		(58)			*707*	
			148			*1,499*
			(7,929)			*(1,690)*

NOTES TO THE CORE FINANCIAL STATEMENTS

13. MOVEMENT OF FIXED ASSETS 2006/07

Movements during the year were as follows:

	Council Dwellings and Garages	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 2006	568,866	43,162	11,121	9,448	805	43,635	677,037
Reclassified	0	32	(274)	670	0	(428)	0
Restated	0	0	0	0	0	0	0
Re-valued	17,338	(117)	0	0	0	5,069	22,290
Value 1 April 2006	586,204	43,077	10,847	10,118	805	48,276	699,327
Revalued in year	2,012	1,619	0	0	0	2,650	6,281
Additions	2,889	573	2,714	1,331	248	1,138	8,893
Disposals	(6,586)	0	(2)	0	0	(8,772)	(15,360)
Deletions	(149)	0	0	(3)	0	0	(152)
Gross Book Value 31 March 2007	584,370	45,269	13,559	11,446	1,053	43,292	698,989
Depreciation 1 April 2006	34,467	2,080	3,072	2,270	4	0	41,893
Depreciation in Year	7,358	531	717	272	0	0	8,878
Depreciation on Assets Sold	(59)	0	0	0	0	0	(59)
Depreciation 31 March 2007	41,766	2,611	3,789	2,542	4	0	50,712
Net Book Value 31 March 2007	542,604	42,658	9,770	8,904	1,049	43,292	648,277
Net Book Value 31 March 2006	*534,399*	*41,082*	*8,049*	*7,178*	*801*	*43,635*	*635,144*

The total Fixed Assets employed as at 31 March 2007 were made up of £84,252,000 (£80,898,000 in 2005/06) employed by the General Fund and £564,025,000 (£554,246,000 in 2005/06) employed by the HRA.

The only significant land sale occurring during 2006/07 related to the Parade Ground site, the balance sheet value of which was £8.772 million, and is shown as a disposal under the heading Non Operational Assets.

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

Capital Expenditure on:	**£000**	**Financed by:**	**£000**
Council Dwellings	2,889	Capital Receipts	4,200
Plant & Equipment in Council Dwellings	1,682	Revenue	1,599
Environmental & Flooding Works	252	Major Repairs Reserve	2,184
Civic Offices	152	Grants	910
Town Centre Enhancements	1,714		
Car Parks	107		
Highways and Footpaths	485		
Leisure Facilities	522		
Information Technology	173		
Vehicles and Equipment	859		
North Weald Airfield	42		
Shopping Parades	16		
Total	8,893		8,893

NOTES TO THE CORE FINANCIAL STATEMENTS

MOVEMENT OF FIXED ASSETS 2006/07 (CONTINUED)

Fixed assets owned by the Council include the following:

	Number as at 31 March	
	2007	***2006***
HRA Properties		
Council Dwellings		
(including 50 hostel units)	6,627	*6,680*
Council Garages	2,839	*2,912*
Hostels (50 units)	1	*1*
Operational Land and Buildings		
Civic Offices	*1*	*1*
Other Offices	*3*	*3*
Sports Centres	*3*	*3*
Swimming Pools	*1*	*1*
Depots	*4*	*4*
Surface Car Parks	*13*	*13*
Cemeteries	*0*	*0*
Museum	*1*	*1*
Gymnasium	*1*	*1*
Plant Nursery	*1*	*1*
Playgrounds	*19*	*19*
Public Conveniences	*8*	*8*
Operational Equipment		
Plant and Vehicles	75	*67*
Investment Properties		
Commercial Properties	148	*148*
Industrial Estates	4	*4*
Recreational Airfield	1	*1*
Surplus Land Holdings	4	*5*
Community Assets		
Community Halls	9	*9*

Capital expenditure and financing	31 March	
	2007	***2006***
Opening Capital Financing Requirement as at 1 April	(784)	*1,447*
Capital Investment:		
Fixed Assets	9,035	*8,976*
Deferred Charges	1,465	*562*
Adjustment	0	*(2,231)*
Sources of Finance:		
Capital Receipts	(4,735)	*(4,118)*
Governments Grants and Other Contributions	(1,193)	*(728)*
Revenue Provision	(4,572)	*(4,692)*
Closing Capital Financing Requirement as at 31 March	*(784)*	*(784)*

Explanation of Movements in Year

Capital financing requirement adjustment in 2005/06 to take into account a misstatement in a previous year	**(2,231)**
Increase/(decrease) in Capital Financing Requirement	**(2,231)**

NOTES TO THE CORE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS

Intangible assets are identifiable assets with no physical substance which are expected to yield future economic benefits to the Council. All expenditure relates to the purchase of software licences.

	31 March 2007 £000	31 March *2006* *£000*
Balance as at 1 April	0	*0*
Amounts amortised to Revenue	(142)	*(151)*
Expenditure	142	*151*
Balance as at 31 March	**0**	***0***

15. INVESTMENTS

	31 March 2007 £000	31 March *2006* *£000*
Long term cash investments	13,000	*5,000*
Local Government Association Debenture	120	*120*
Central Government War and Insurance Stock	4	*4*
Total Long Term Investments	**13,124**	***5,124***

The 2005/06 comparatives have been restated to reflect the fact that long term investments of £5m were held at 31 March 2006, these were previously shown included in short term investments.

16. LONG TERM DEBTORS

	31 March 2007 £000	31 March *2006* *£000*
Mortgages	202	*302*
Rents to Mortgages	890	*807*
Central Government	333	*778*
Other Local Authorities - Transferred Debt	584	*610*
Total Long Term Debtors	**2,009**	***2,497***

17.STOCKS AND WORK IN PROGRESS

	31 March 2007 £000	31 March *2006* *£000*
Work in Progress	110	*115*
Stocks	201	*179*
Total Stocks	**311**	***294***

NOTES TO THE CORE FINANCIAL STATEMENTS

18.DEBTORS AND PREPAYMENTS

	31 March 2007 £000	31 March *2006* *£000*
Amounts falling due in one year		
Government Departments and Other Local Authorities	1,371	*2,138*
Council Tax Arrears	2,683	*2,774*
Non Domestic Ratepayers Arrears	624	*735*
Housing Rent Arrears	890	*837*
Sundry Debtors	2,880	*3,166*
Prepayments	332	*438*
Financial Institutions	834	*495*
Others	7	*8*
	9,621	***10,591***
Less Provision for Bad and Doubtful Debts	(3,733)	*(3,791)*
	5,888	*6,800*
Amounts falling due after one year	38	*0*
Total Current Debtors	**5,926**	***6,800***

19. CREDITORS

	31 March 2007 £000	31 March *2006* *£000*
Government Departments and Other Local Authorities	1,544	*1,094*
Council Tax	930	*971*
Non Domestic Ratepayers	446	*473*
Housing Rents	138	*153*
Deferred Income	812	*1,003*
Sundry Creditors	3,325	*2,643*
Accruals	1,305	*2,161*
Total Creditors	**8,500**	***8,498***

Included within creditors is £3,000 (£3,000 in 2005/06) relating to Waltham Abbey Tourist Information Centre and £5,106 (£3,000 in 2005/06) relating to Essex Wildlife Trust. Both of which fall within the definition of related parties.

20. EXTERNAL BORROWING

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

21. DEFERRED REVENUE INCOME

	31 March 2007 £000	31 March *2006* *£000*
Deferred Revenue Receipts	333	*778*
Revenue Commuted Sums	528	*325*
Total Deferred Revenue Income	**861**	***1,103***

This account contains deferred credits from two sources. Deferred revenue receipts refer to money due from the DCLG for re-instatement grants. Revenue commuted sums relate to monies received for future maintenance and will be written off to revenue over an appropriate period of time.

22.CAPITAL CONTRIBUTIONS DEFERRED

	31 March 2007 £000	*31 March 2006 £000*
Balance as at 1 April	419	*578*
Contributions Arising	206	*341*
Contributions applied	(263)	*(518)*
Interest Received	15	*18*
Balance as at 31 March	**377**	***419***

These represent unapplied capital resources other than those generated internally, such as section 106 sums received.

23.GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

	31 March 2007 £000	*31 March 2006 £000*
Balance as at 1 April	3,020	*3,080*
Grants Receivable	918	*110*
Written off to Service Accounts	(252)	*(170)*
Balance as at 31 March	**3,686**	***3,020***

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.

24. 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 2007 £000	*31 March 2006 £000*
Balance as at 1 April	553,565	*617,579*
Revaluations during the year (see also note 12)	22,290	*(60,857)*
Restatements during the year (see also note 12)	6,281	*(182)*
Disposal of Fixed Assets (see also note 12)	(15,301)	*(2,975)*
Balance as at 31 March	**566,835**	***553,565***

25. 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 2007 £000	*31 March 2006 £000*
Balance as at 1 April	77,112	*76,943*
Minimum Revenue Provision Adjustment:		
Deferred Grants	252	*170*
Depreciation	(8,878)	*(8,367)*
Deferred Charges etc written off in Year (Net)	(1,633)	*(917)*
Commutation Adjustment	0	*(270)*
Capital Financing		
Capital Receipts Applied	4,735	*4,118*
Revenue Contributions Applied	2,388	*2,000*
Major Repairs Reserve Applied	2,184	*2,692*
Other	149	*473*
Commutation Adjustment	0	*270*
Balance as at 31 March	**76,309**	***77,112***

26. USABLE CAPITAL RECEIPTS UNAPPLIED

	31 March 2007 £000	*31 March 2006 £000*
Balance as at 1 April	20,073	*21,241*
Usable Capital Receipts arising in year	14,048	*4,858*
Usable Capital Receipts applied in year	(4,735)	*(4,118)*
Commutation Adjustment	0	*(270)*
Capital Receipts Pooled	(2,961)	*(1,638)*
Balance as at 31 March	**26,425**	***20,073***

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

27. EARMARKED RESERVES

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

	1 April 2006 £000	Transfers in £000	Transfers Out £000	*31 March 2007 £000*
Housing Repairs Reserve	3,075	5,500	(5,327)	*3,248*
District Development Fund	3,007	1,904	(1,730)	*3,181*
Pension Deficit Reserve	1,963		(818)	*1,145*
Insurance Reserve	831	150		*981*
Debenture Reserve	120			*120*
Building Control Charging A/C	57		(42)	*15*
On Street Parking	(1)		(50)	*(51)*
Museum Fund	3	1		*4*
Small Loans Fund	4	1		*5*
Total Earmarked Reserves	**9,059**	**7,556**	**(7,967)**	***8,648***

28. REVENUE BALANCES

	31 March 2007 £000	*2006 £000*
General Fund	6,761	*6,456*
Housing Revenue Account	5,632	*5,599*
Collection Fund	51	*(12)*
Total Revenue Balances	**12,444**	***12,043***

29. DEFERRED CAPITAL RECEIPTS

	31 March 2007 £000	*2006 £000*
Rents to Mortgages	889	807
Sale of Council Houses	202	298
	1,091	**1,105**

Rents to mortgages relates to a scheme whereby tenants of Council houses have purchased a proportion of their property with the remainder being paid, either when the tenant chooses to do so, or on the subsequent sale of that property. Sale of council houses relates to outstanding balances on mortgages held when former tenants purchased their properties in full.

30. COSTS INCURRED IN RESPECT OF THE EURO

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

31. 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 2007		As at 31 March 2007	
	Direct Income £	Direct Expenditure £	Assets £	Liabilities £
Chigwell Row Recreation Ground	39,275	39,275	53,068	0
Buckhurst Hill Open Space	65	65	0	0
Lindersfield	0	0	0	0

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.

32. CAPITAL COMMITMENTS

The council has entered into three contracts where at 31 March 2007 there remains significant outstanding capital commitments:-

(1) The Construction of a town centre enhancement scheme at the Broadway in Loughton a commitment of around £2.0 m existed.

(2) A refurbishment scheme at Springfields, Waltham Abbey a commitment of around £3.0 m existed.

(3) Works to the former refuse disposal site at Bobbingworth to prevent contamination of water courses, a commitment of around £1.3 m existed.

33.CONTINGENT GAINS

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 £409,442.19, with a further claim of £852,750.81 going back to January 1990.

34. 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 Essex County Council Pension Fund is a funded scheme meaning that the authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

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 Income and Expenditure Account after Net Operating Expenditure.

The transactions below have been made in the Income and Expenditure Account during the year.

	Essex County Council Local Government Pension Scheme	
	2006/07 £000	***2005/06 £000***
Net Cost of Services		
Current Service Cost	*(2,594)*	*(2,310)*
Net Operating Expenditure		
Interest Cost	*(5,463)*	*(5,330)*
Past Service Gain	*0*	*1,581*
Settlement Gain	*0*	*588*
Expected Return on Assets	*4,631*	*3,984*
Amounts to be met from Government Grants & Local Taxation		
Movement on Pension Reserve	*47*	*(1,840)*
Actual Amount Charged against council tax for pensions in year including additional benefits	*3,379*	*3,327*
Employers contributions payable to the scheme	***(3,379)***	***(3,327)***

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2005 to 31 March 2008 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%. There were no creditors relating to pension fund contributions at year end.

In 2006/07 the Council paid an employer's contribution of £3.066m representing 23.29% of employee's pension able 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 under funded and that deficiency contributions were required from all participating authorities. The sum required from this authority, included in the above contributions, was £1,746,659 for 2006/07 (£1,674,649 for 2005/06).

Contributions paid by employees into the Essex County Council Pension Fund in 2006/07 amounted to £0.779m representing 5.92% of employee's pension able 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 2006/07 these amounted to £313,448 representing 2.38% of pension able pay.

The main financial assumptions adopted as at 31 March 2007 were:

- Retail price inflation 3.1% per annum
- Increases in salaries 4.6% per annum
- Increases in pensions and deferred pensions 3.1% per annum
- Discount rate 5.4%

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

	As at 31 March 2007		***As at 31 March 2006***	
	Fair value £m	**Expected Return %**	***Fair value £m***	***Expected Return %***
Equities	2,046	7.50	*1,972*	*7.00*
Gilts	292	4.70	*291*	*4.30*
Other Bonds	186	5.40	*157*	*4.90*
Property	369	6.50	*324*	*6.00*
Cash/Liquidity	59	5.25	*53*	*4.50*
Total	2,952		*2,797*	

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	
	2007 £m	***2006 £m***
The fair value of the above assets related to this Council was	82.5	*76.6*
The value placed on the liabilities related to this Council was	(111.2)	*111.7*
Consequently, at 31 March, the deficiency related to this Council was	(28.7)	*(35.1)*

The movement in the net pension deficiency for the year to 31 March 2007 is as follows:

	2007 £m	***2006 £m***
Net pensions liability at 1 April 2006	(35.1)	*(38.1)*
Movements in the current year		
Current service cost	(2.6)	*(2.3)*
Employers' contributions payable to scheme	3.4	*3.3*
Settlement and curtailment gains	0.0	*0.5*
Past service gains	0.0	*1.6*
Interest cost	(5.5)	*(5.3)*
Expected return on assets in the scheme	4.7	*4.0*
Actuarial gain/(loss)	6.4	*1.2*
Net pensions liability at 31 March 2007	(28.7)	*(35.1)*

The actuarial asset gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2007:

	2006/07	
	£m	**%**
Differences between the expected and actual return on assets	**0.9**	**1.1**
Differences between actuarial assumptions about liabilities and actual	**0.0**	**0.0**
Changes in the demographic and financial assumptions used to estimate liabilities	**5.5**	**4.9**

6.4

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.

The primary cause of the change from an estimated net pension liability of £35.1m at 31 March 2006 to an estimated net pension liability of £28.7m at 31 March 2007 has been an actuarial gain arising from a change in assumptions relating to assets and liabilities.

The £28.7m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2007 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 2007 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 in 2005/06 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. The actuaries initially made assumptions that 50% of members would take up this option, which would reduce the employers pension costs. The actuaries are retaining this assumption. Other changes to the LGPS following the introduction of the LGPS (Amendment) regulations 2006 and the LGPS (Amendment) (No 2) Regulations 2006, relate to the removal of the Rule of 85 retirement provisions with effect from April 2008. This does not affect the 2006/07 figures. Regulation changes also removed the rule of 85 provision for new entrants from 1 October 2006, but this does not materially affect the 2006/07 figures.

In order to fund the increased employers contributions as a result of the last triennial valuation, a capitalisation direction was applied for in 2006/07 to the value of £923,659 (£628,827 General Fund, £294,832 HRA). The direction issued by the Department for Communities and Local Government was for £528,202 (£359,600 General Fund, £168,602 HRA) which was 57%of the requested amount. The remaining General Fund element (£269,227 has been funded from General Fund revenue sums appropriated to the Pensions Reserve. The remaining HRA element (£126,230) has been funded from HRA revenue sums appropriated to the Pensions Deficit Reserve (£20,520) and the HRA working balance (£105,710).

35. CONTINGENT LIABILITIES

A complaint was made to the Local Government Ombudsman regarding the siting of a Waste Transfer Station at Barnfield, Epping Road, Roydon, regarding the effect this would have on the value of two properties situated near to the proposed site. The Ombudsman has ruled that the council should compensate the owners of the two properties for the perceived loss in value resulting from this, unless the transfer station can be relocated. A report prepared has estimated the liability for compensation at between £30,000 and £115,000 though 50% would fall to this council and 50% to Essex County Council.

A preliminary investigation into utility supplies to certain areas of council housing has highlighted inconsistencies in billing arrangements. A full investigation is underway, however at the moment the exact amounts and the numbers of properties involved is unclear. It is possible that a liability of between £100,000 and £500,000 may ultimately fall on the Council.

36. POST BALANCE SHEET EVENTS

There were no Post Balance Sheet Events.

NOTES TO THE CORE FINANCIAL STATEMENTS

37. MOVEMENT ON RESERVES

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory purposes.

	Balance 1 April 2006	Net Movement in Year	Balance 31 March 2007	Purpose of Reserve	Further Details of Movements
Fixed Asset Restatement Account	553,565	13,270	566,835	Store of gains on revaluation of fixed assets	Note 24 above
Capital Financing Account	77,112	(803)	76,309	Store of Capital resources set aside to meet past expenditure	Note 25 above
Major Repairs Reserve	3,312	2,343	5,655	Resources available to meet future running costs for council houses	HRA Statements Note 9
Usable Capital Receipts	20,073	6,352	26,425	Proceeds of fixed asset sales available to meet future capital investment	Note 26 above
General Fund	6,456	305	6,761	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance
Collection Fund	(12)	63	51	The net surplus/(deficit) retained from Council Tax receipts	The Collection Fund Statement
Pensions Reserve	(35,053)	6,351	(28,702)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet	Note 34 above
Housing Revenue Account	5,599	33	5,632	Resources available to meet future running costs for council houses	Statement of movement on Housing Revenue Account Balance
Deferred Credits	1,105	(14)	1,091	Capital resources that should be received in subsequent periods.	Note 29 above
Other Reserves	9,059	(411)	8,648	Additional reserves allocated for specific purposes.	Note 27 above
	641,216	27,489	668,705		

37. RECONCILIATION OF OPERATIONS TO NET CASH FLOW

	31 March 2007		31 March 2006	
	£ 000's	£ 000's	£ 000's	£ 000's
General Fund Surplus	(305)		(968)	
Housing Revenue Account Surplus	(33)		(765)	
Collection Fund Deficit / (Surplus)	(63)	(401)	256	(1,477)
Revenue Contributions to Capital	(4,572)		(4,692)	
Contributions (to) / from Reserves	(1,660)	(6,232)	(1,102)	(5,794)
Increase in Stocks	17		22	
(Decrease)/Increase in Revenue Debtors	(1,160)		(1,865)	
Decrease/(Increase) in Revenue Creditors	(532)	(1,675)	3,037	1,194
Financing Items		2,806		2,342
Net Cash Flow from Revenue Activities		(5,502)		(3,735)

38. ANALYSIS OF GOVERNMENT GRANTS

	2006/07	2005/06
Revenue Grants		
DCLG Subsidy	518	518
Other	1,186	422
Total Revenue	**1,704**	**940**
Capital Grants		
IEG	0	150
Planning Delivery Grant	33	45
PSA Grant	105	0
Election	10	0
Defra	54	0
DCLG Grants	572	144
Total Capital	**774**	**339**

39. RECONCILIATION OF LIQUID RESOURCES TO TEMPORARY INVESTMENTS

		2005/06
Temporary Investments as at 1 April	38,000	39,600
Net Movement in Liquid Resources	2,000	(1,600)
	40,000	38,000

40. MOVEMENT IN CASH AND CASH EQUIVALENTS

	1 April 2006	31 March 2007	Difference
Cash	109	139	30
Bank of Scotland	1,517	1547	30
Bank Overdraft	(176)	(502)	(326)
Total Cash and Cash Equivalents	**1,450**	**1,184**	**(266)**

THE HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT

	Note	2006/07 £000	2005/06 £000
INCOME			
Dwelling Rents (Gross)	3	22,039	21,201
Non Dwelling Rents		2,388	2,364
Charges for Services and Facilities		1,753	1,652
Contributions towards expenditure		149	255
TOTAL INCOME		26,329	25,472
EXPENDITURE			
Repairs and maintenance	4	5,327	4,953
Supervision and Management		6,295	5,763
Rents, Rates, Taxes and Insurance		284	271
Housing Revenue Account Subsidy Payable	5	8,229	7,749
Deferred Charges		966	255
Depreciation	2/9/10	7,766	7,321
Debt Management		48	39
Provision for Bad / Doubtful Debts		103	64
TOTAL EXPENDITURE		29,018	26,415
NET COST OF SERVICES INCLUDED IN CONSOLIDATED INCOME & EXPENDITURE ACCOUNT		2,689	943
HRA services share of Corporate & Democratic Core		379	411
HRA share of other services		22	23
NET COST OF HRA SERVICES		3,090	1,377
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT		3,090	1,377
Loss on HRA Fixed Assets		1,317	90
Interest and Investment Income		(1,735)	(1,560)
Pensions Interest/Return on Assets		266	(75)
DEFICIT FOR YEAR		2,938	(168)

STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT BALANCE

The Housing Revenue Income and Expenditure Account shows the Councils' actual financial performance for the year in managing its housing stock, measured in terms of the resources consumed and generated over the last twelve months. However the authority is required to account for its total Housing Revenue Account (HRA) spend on a different basis, the main differences being:

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

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

This reconciliation statement summarises the differences between the outturn in the Housing Revenue Income and Expenditure Account and the Housing Revenue Account Balance

	2006/07	2005/06
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE		
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	**2,938**	**(168)**
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**(2,971)**	**(597)**
Increase or decrease in the Housing Revenue Account Balance	**(33)**	**(765)**
Housing Revenue Account surplus brought forward	**(5,599)**	**(4,834)**
Housing Revenue Account surplus carried forward	**(5,632)**	**(5,599)**

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

1. HOUSING STOCK

The Council was responsible for managing on average 6,654 (6,703) dwellings during 2006/07. Changes in the stock are summarised below. The figures include 50 units for the homeless at Norway House, North Weald, 7 wardens' and caretakers' dwellings, and 20 special lets.

		2006/07	2005/06
Stock as at 1 April		6,680	6,726
Less	Sales	(46)	(40)
	Stock Transfers / Conversions	(16)	(7)
Add	New / Reinstated Properties	1	1
	Properties repurchased	8	
Stock as at 31 March		6,627	6,680

	2006/07	2005/06
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 £000	Dwellings £000	Garages £000	Equipment £000	Investment Assets £000	Other £000	Total £000
Balance Sheet Value as at 31 March 2006	162,686	367,159	4,553	6,364	12,946	538	554,246
Reclassified	0	0	0	0	0	0	0
Revaluation	4,170	12,825	344	0	0	0	17,339
Value as at 1 April 2006	166,856	379,984	4,897	6,364	12,946	538	571,585
Revaluation	604	1,408	0	0	0	0	2,012
Additions	0	2,889	0	1,682	16	282	4,869
Depreciation	0	(7,070)	(289)	(396)	0	(11)	(7,766)
Disposals	(1,976)	(4,550)	0	0	0	0	(6,526)
Deletions	0	(149)	0	0	0	0	(149)
Balance Sheet Value as at 31 March 2007	165,484	372,512	4,608	7,650	12,962	809	564,025

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 £1,156,935,500. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

3. GROSS DWELLING RENT INCOME

During 2006/07 1.01% (0.74% in 2005/06) of all lettable dwellings were vacant. Average rents were £64.86 per week, an increase of £3.11 or 5.00% over the previous year. 53% (53% in 2005/06) of all Council tenants received some help through rent rebates in 2006/07. Rent arrears increased to £890,213 (£836,800), which represents 4.0% (4.0%) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £611,000 (£594,000). Amounts written off during the year totalled £91,981 (£53,950). 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:

	2006/07		*2005/06*	
	£000	£000	*£000*	*£000*
Balance as at 1 April		(3,075)		*(3,048)*
Contribution from the HRA	(5,500)		*(4,980)*	
Other Income	(64)		*(64)*	
Total Income		(5,564)		*(5,044)*
Responsive & Void Repairs	3,176		*3,121*	
Planned Maintenance	1,980		*1,793*	
Other	235		*103*	
		5,391		*5,017*
Balance as at 31 March		**(3,248)**		***(3,075)***

In accordance with the accounting changes introduced for the 2006/07 accounts, the amount shown on the face of the Housing Revenue Income and Expenditure Account is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the movement on the General Fund balance (note 12)

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

	2006/07		*2005/06*	
	£000	£000	*£000*	*£000*
Management and Maintenance Allowance		9,935		*9,330*
Major Repairs Allowance		4,527		*4,590*
Rent Rebates (prior year adj.)				*(3)*
Transitional relief for 5% rent cap		199		
Less				
Notional Rents	(22,146)		*(20,847)*	
Interest on Receipts	(744)		*(819)*	
		(22,890)		*(21,666)*
Total (Payable)		**(8,229)**		***(7,749)***

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

6. PENSIONS

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

Following the 2004 actuarial review of the pension fund, the decision was taken to build up the Pension Fund Reserve. The DCLG gave permission for a partial capitalisation of the contribution; accordingly, a contribution of £528,202 from capital funding and £289,747 from revenue sources was made towards the Pensions Reserve. The HRA's share of these contributions was £20,520 (revenue) and £168,602 (capital), representing 9.0% of the revenue contribution and 31.9 % of the capital contribution.

7. HRA CAPITAL RECEIPTS

The Council received £5,416,000 in respect of HRA capital receipts during 2006/07. This arose as a result of the sale of council houses (£5,320,000) and principal repayments on mortgages (£96,000). Of this the Council was able to keep £2,455,000 to fund future capital projects and had to pay to the central government pool an amount of £2,961,000.

8. CAPITAL EXPENDITURE

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

Capital Expenditure on:	**£000**	**Financed by:**	**£000**
Council Dwellings	2,741	Capital Receipts	937
Plant and Equipment	1,682	Government Grants	29
Shopping Parades	16	Revenue	2,388
Other	1,099	Major Repairs Reserve	2,184
	5,538	Charged to Leaseholders	149
Other non-HRA Assets	149		
	5,687		5,687

The Revenue Contributions to Capital Expenditure figure of £2,388,000 shown on the face of the HRA excludes the £50,000 in respect of the Housing Maintenance DSO.

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

9. MAJOR REPAIRS RESERVE

With effect from 1 April 2001 the Council is required to maintain a Major Repairs Reserve, 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 5 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:

	2006/07		*2005/06*	
	£000	£000	*£000*	*£000*
Balance as at 1 April		(3,312)		*(1,414)*
Depreciation transferred from the HRA		(7,766)		*(7,321)*
Used to fund Capital Expenditure on Council Dwellings	2,184		*2,692*	
Transferred to the HRA	3,239		*2,731*	
Total Expenditure		5,423		*5,423*
Balance as at 31 March		**(5,655)**		***(3,312)***

10. DEPRECIATION

Depreciation is 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)

11. DEFERRED CHARGES

A charge of £966,000 (£255,000 in 2005/06) was made in respect of deferred charges. £788,000 of this related to the transfer of a sheltered housing unit to a housing association for refurbishment and on-going management, £149,000 related to recharges to leaseholders for repairs and £29,000 related to the capital costs associated with Choice Based Lettings.

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

		2006/07 £ '000's			2005/06 £ '000's	
AMOUNTS TO BE EXCLUDED						
Depreciation		**(3,239)**			***(2,731)***	
Deferred charges		**(966)**			***(255)***	
Gain/(loss) on disposal of HRA fixed assets		**(1,317)**			***(90)***	
Transfer from Reserves		**(20)**			***0***	
Transfer to General Fund		**0**			***55***	
Grants released		**44**			***15***	
Transfer to Housing Repairs Fund		**173**			***27***	
HRA share of contributions to/ (from) pensions reserve		**(1,093)**			***(662)***	
			(6,418)			***(3,641)***
AMOUNTS TO BE INCLUDED						
Leaseholder Contributions		**149**			***255***	
Employers contributions payable to the pension fund	**1,079**			***1,061***		
Less Capital direction received	**(169)**			***(272)***		
		910			***789***	
Capital expenditure funded by the HRA		**2,388**			***2,000***	
			3,447			***3,044***
			(2,971)			***(597)***

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR 2006/07

INCOME	Note	2006/07 £000	*2005/06 £000*
Council Tax	1	70,647	*66,909*
Transfers from the General fund			
Non Domestic Rates	2	27,267	*24,381*
TOTAL INCOME		97,914	*91,290*
EXPENDITURE			
Precepts and Demands:			
Essex County Council		51,036	*48,510*
Essex Police		5,897	*5,538*
Essex Fire Authority		3,094	*3,021*
Epping Forest District Council		9,742	*9,317*
Distribution of Estimated Collection Fund Surplus/(Deficit).	3		
Essex County Council		358	*(9)*
Essex Police		42	*(1)*
Essex Fire Authority		22	*(1)*
Epping Forest District Council		5	*34*
Non Domestic Rate			
Payment to National Pool		27,098	*24,216*
Cost of Collection Allowance		169	*165*
Provision for Non Payment of Council Tax		48	*54*
Council Tax Write Offs		340	*482*
TOTAL EXPENDITURE		97,851	*91,326*
DEFICIT / (SURPLUS) FOR YEAR		(63)	*36*
BALANCE BROUGHT FORWARD		12	*(24)*
Deficit / (Surplus) for Year		(63)	*36*
BALANCE CARRIED FORWARD		(51)	*12*

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: (53,140.9 for 2006/07). The basic amount of Council Tax for a Band D property (£1,312.91 for 2006/07, £1,255.90 for 2005/06) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	2	2	0.55	1
Band A	1,545	1,271	0.67	848
Band B	4,444	3,639	0.78	2,830
Band C	10,735	9,417	0.89	8,371
Band D	13,127	12,009	1.00	12,009
Band E	8,817	8,214	1.22	10,040
Band F	6,391	6,001	1.44	8,667
Band G	5,592	5,320	1.67	8,866
Band H	1,016	974	2.00	1,948
Total Band D				53,580
Less Adjustment for Collection Rate				439
Council Tax Base				**53,141**

The income of £70,647,000 for 2005/06 (£66,909,000 for 2005/06) is receivable from the following sources.

	2006/07 £000's	2005/06 £000's
Billed to Council tax payers	63,192	59,822
Council Tax Benefits	7,455	7,087
	70,647	66,909

NOTES TO THE COLLECTION FUND

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 42.6p (small business) and 43.3p (others) in 2006/07 (41.5p (small business) 42.2p (others) in 2005/06) 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 £74,559,085 (£73,657,985 in 2005/06). 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 relates to this Council's portion only. The elements relating to Essex County Council, Essex Police and Essex Fire form part of the Distribution of estimated collection fund surplus/deficit. In 2006/07 a total surplus of £36,000 was distributed, of which this Council's share was a surplus of £4,000.

4. CHANGES TO COLLECTION FUND SURPLUS/DEFICIT REDISTRIBUTION

The changes to the SORP described in the first paragraph of the Introduction (page i) have required a change in treatment of the surpluses and deficits on the Collection Fund. This has resulted in the redistributions attributed to 2005/06 being altered from those stated in the 2005/06 Statutory Statement of Accounts. This is a change in accounting convention rather than a change in cashflow, and does not affect the rate of Council Tax charged.

STATEMENT ON INTERNAL CONTROL FOR 2006/07

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 expecting 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 2007, 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 2006/07 and has now been updated for the period 2007/10. The Plan can be located on the Council's 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:

- green and unique
- homes and neighbourhoods
- a safe community
- fit for life
- economic prosperity
- improving our performance

The first five themes are drawn from the District's Community Strategy and were chosen because they reflect key priorities for our community. The sixth theme, 'Improving Performance' was chosen as a specific Council priority because of the importance we place on continued improvement.

Progress towards the achievement of the objectives is monitored through the Council's Performance Management Framework. A full review of the actions included in the Plan by the Finance and Performance Management Scrutiny Panel is scheduled for June 2007.

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. An action plan relating to the latest review of Overview and Scrutiny was compiled and will be reviewed once the Local Government and Public Involvement in Health Bill is enacted later in 2007/08.

The Bill referred to above will trigger a further review of the Overview and Scrutiny function in addition to the form of executive governance which is currently operating. The current Cabinet will not be available to the Council if the provisions of the Bill are enacted. The three options which are likely to be available will be reviewed by the Council during 2007/08 after the Bill has been made law, which is expected to be by September 2007. The Council has already held one seminar so that the implications of the Bill for both the Cabinet and Overview and Scrutiny were known to Council members.

3.1.3 Standards Committee

The Council's independent Standards Committee was reappointed during 2004 for a three 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 continued to hold adjudications on complaints against Councillors and local investigations. The Committee has hosted further training courses on the Code of Conduct and Planning Protocol for both Parish and District Councillors. During the year 2006/07, a further review of the Planning Protocol has been held and this resulted in alterations, which were adopted by the Council at its April 2007 meeting. The Standards Committee has responded to the early introduction of local screening of complaints under the Code of Conduct by assigning key roles in the process to the Monitoring Officer and her staff. Preliminary consideration has also been given to the revised Code of Conduct, which will come into force during 2007/08.

One vacancy on the Standards Committee occurred during the year. A public recruitment exercise has enabled a new independent member to be recruited.

3.1.4 Remuneration Panel

The Statutory Remuneration Panel advises 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.

No meetings of the Panel were required during 2006/07.

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 to both the Council and the public. Three key documents are the Financial Regulations, Contracts Procedure Rules and Staff Code of Conduct which are available to all officers via the Councils Intranet. Other documentation includes corporate policies on a range of topics such as Date Protection, Heath 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 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 2006/07 on the development of the Council's risk register, with Members being involved in updating and revising the register before its adoption by Cabinet. A Risk Management Strategy and Policy Statement have also been adopted by Members during the year. The programme of training on risk management for relevant Members continued during 2006/07.

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, as the Authority's Risk Management Group with Terms of Reference agreed by Members, to ensure a consistent approach to risk management across the Authority. During the year, Internal Audit followed up the findings of previous risk management audits, and was able to confirm that there had been further improvements in the Council's risk management processes.

Whilst Audit reports have provided assurance that strong systems of internal control are in place, these systems identified some weaknesses in the application of some of the controls, and occasional lapses in the application of Financial Regulations during 2006/07. The main individual concerns included two isolated cases, one involving inappropriate use of public money, the other highlighting weaknesses in the supervisory process in one Service.

In addition there is still a general concern regarding the occasional lack of segregation of duties in some services between the raising and authorisation of purchase orders, and the certification of invoices. These issues are picked up through the Council's internal control mechanisms and 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 and address concerns with individual members of staff.

To assist managers' understanding of finance and governance issues, a user-friendly summary of Financial Regulations was issued on the Council's intranet during 2005/06, for reference by all staff involved in financial matters. This measure was accompanied by relevant training for managers and supervisors in all services. Further training sessions were delivered in 2006/07 and over 120 staff have now received training and are fully aware of the requirements of the Council's Financial Regulations. Further training is planned for 2007/08.

It should be borne in mind that the systems of internal control are designed to mitigate risk as far as possible, rather than expecting to eliminate it altogether. The key strategic risks to the Authority are 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 2006/07 to ensure that financial resources were being used to their best advantage, via management reporting to the officer Management Teams, and to Members. The quarterly reporting to the Finance and Performance Management Standing Panel was further developed during the year and expanded to include key capital projects.

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.

In 2006/07 the Council's External Auditor, as part of the annual Use of Resources assessment, evaluated for the second time how well councils manage and use their financial resources. The first assessment had 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 second review built on the previous year's work and updated it for any changes and improvements to the Council's arrangements

The second report provided further evidence of the effectiveness of the Council's arrangements for securing value for money. In March 2007 the Council's Use of Resources was scored as 2 (out of 4), and cited a number of improvements since the previous year (also scored as 2). The key findings included the maintenance by the Council of a sound medium term financial strategy, improved quality of final accounts working papers, improvements in systems for income collection, and significant improvements to risk management arrangements. It was also reported that the Council was making progress in developing a value for money culture, which put it in a strong position to improve value for money in the future.

The latest report on Use of Resources recommended that the Council:

(a) takes forward the development of the Council's improved approach to value for money and procurement, by demonstrating outcomes in terms of driving up performance and improving value for money, especially in priority services. This work is now being taken forward by a focused Action Group led by a Head of Service;

(b) ensure that the process to produce the accounts for 2006/07 and future years result in accounts that are again 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 maintain the recent improvement in the closure of accounts process;

(c) ensures that in promoting external accountability, the Council can demonstrate that stakeholder views have been sought on summary financial information and used to inform whether or not to produce an annual report, and the format it should take. Following the publication of the annual report stakeholder views were sought through press releases, the Council's magazine and website. Unfortunately the very limited response received has not been of any use in informing subsequent decisions. The Council will consider other means by which stakeholder views can be obtained;

(d) communicates the key messages from its medium term financial strategy more proactively with staff and other stakeholders. An abridged version of the medium term financial forecast will be issued to staff and the Council will consider ways of engaging other stakeholders;

(e) maintains the level of training in financial matters, according to need, to ensure that the level of heightened awareness of financial requirements and Financial Regulations is maintained. The programme of bi-annual training is being repeated in 2007/08 in order to ensure that relevant staff are trained or have the opportunity to attend as a refresher;

(f) considers the steps necessary to achieve the highest level of conduct by its staff, members and contractors. A new Code of Conduct was issued to all staff in December 2006 in tandem with a declaration of interest process. The declarations have been reviewed by Management Board and indicate high standards of conduct amongst staff. In regard to members of the Council, regular meetings of the standards committee and training courses are held to emphasise the importance of compliance with the Code of Conduct;

(g) 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 and reviewed bi-annually by a Cabinet Committee; and

(h) sets challenging targets for key financial health indicators. The Council has prioritised key financial indicators, like collection rates for Council Tax and National Non-Domestic Rates and the prompt payment of suppliers' invoices, and has set targets based on top quartile performance.

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 promptly detected.

In the 2006 Use of Resources Assessment the Council scored 3 out of 4 for financial management, assessed by the Audit Commission as "performing well". The Audit Commission concluded that the Council's medium term financial strategy, budgets and capital programme are soundly based and are designed to deliver its strategic priorities. It was also stated that financial performance is actively managed against budgets and the Council manages its asset base.

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 2006/07 included:

- The rolling forward of the Council's four year financial forecast, 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 five 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; and
- Managing risk in key financial service areas.

3.1.8 Internal Audit

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 were monitored by the Finance and Performance Management Cabinet Committee during 2006/07. 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

The Chief Internal Auditor produces an annual internal audit report for Members, and the overall audit opinion contained in the 2006/07 report is that the Council continues to operate within a satisfactory control environment. This opinion was based on reports submitted to Service Management during 2006/07, which concluded that systems were generally operating satisfactorily, and appropriate follow up action had been taken where required from previous audits.

3.1.9 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 six 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 policy themes 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 onwards. In the first year of operation the Council exceeded its target, attaining 44% of KPIs at top quartile performance. At its meeting in July 2006, the cabinet adopted an objective, for performance against 50% of all BVPIs for the year (52 in number), to be in the top quartile of district councils. These key BVPIs are monitored by Management Board on a regular basis and reports are submitted to 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 Councils main policy and Service objectives. Following the first year of monitoring 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 REVIEWS OF EFFECTIVENESS

4.1 EFDC has a statutory 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 (Audit and Governance Committee from 2007/08) 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 and management of risk.

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 As indicated above, the Chief Internal Auditor has placed a satisfactory level of assurance on the systems of internal control in place during 2006/07.

4.5

Within the Audit Commission's Annual Audit and Inspection Letter published in March 2007, the Council was assessed as showing significant improvement in its financial reporting and risk management arrangements. It was also stated that the Council has a good track record in financial management, and in maintaining a sound financial position. It had also improved its systems for monitoring the effectiveness of income collection.

4.6 The Council received an unqualified opinion from the Audit Commission on its Statutory Accounts for 2005/06.

4.7 Changes to the Accounts and Audit Regulations, effective from April 2006, include a requirement for the Authority to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of internal control. The Council's Corporate Governance Group has undertaken the review of EFDC's Internal Audit Service in 2006/07 utilising the following main sources of evidence:

- Annual report and opinion of the Chief Internal Auditor;
- A review of the Internal Audit Service against CIPFA standards using a check list provided in the guidance;
- The Audit Commission report dated May 2006 on the review of Internal Audit (previously reported to Members in June 2006);
- A review of Internal Audit monitoring reports for 2006/07;
- Comments from the Joint Chief Executives following their consideration of individual audit report summaries;
- The role of Management Board in monitoring the work of Internal Audit and any significant internal control issues raised in their reports;
- Consideration of significant corporate control issues highlighted in audit reports, discussed within the Senior Management Team;
- Performance by Internal Audit against local performance indicators;
- Feedback from Senior Management in an annual survey; and
- The Internal Audit Section Business Plan and work plan for 2007/08

4.8 The Corporate Governance Group concluded that the Council has benefited from a strengthened Internal Audit section in recent years, which can demonstrate that it has a good understanding of the functions of the Council and has achieved the Council's objective to identify improvements to its control systems. The Audit Commission relies to a large extent on the work of the Council's Internal Audit Section and has made very few recommendations for the improvement of the service.

4.9 The establishment of an Audit and Governance Committee, with independent membership, will emphasise the importance of independent review of internal and external audit processes, as a key part of the Council's arrangements for securing further improvements in its systems of internal control.

4.10 All of the recommendations agreed with the Audit Commission in its review of Internal Audit in 2006 have been implemented. The main issue for improvement arising from the current review relates to the updating of the Audit Manual, which is being undertaken as a priority task. Progress on this issue will be reported to the Audit and Governance Committee. None of the issues identified are of sufficient significance to be highlighted within the Council's Statement on Internal Control.

4.11 Having considered these issues the Corporate Governance Group is satisfied that the system of internal audit was effective during 2006/07.

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 2006/07 identified in last year's Statement

- The arrangements for the recovery of the Council's debts has been recognised by both Internal and External Audit as an area where significant improvements were made in 2006/07. An internal audit highlighted new ways of corporate working and improved collection rates. An overall collection rate of 82% was being maintained, compared with 77.7% in 2005/06.

- Earlier Internal Audit reviews and investigations had confirmed 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 were reviewed during 2006/07, and will be re-issued to staff during 2007/08 with a strong message from senior management that abuse will not be tolerated.

- Two further sessions of finance and financial regulation awareness training were provided to groups of managers and other staff with financial responsibilities across the Council.

- All key BVPIs continue to be monitored by Management Board on a regular basis. A new performance management system was introduced in July 2006, with the aim of providing better quality, more timely information to management. Detailed data quality reviews were undertaken by Internal Audit and the Performance Management Unit during 2006/07.

Other Improvements during 2006/07

- The Council's Contract Standing Orders and Delegated Authorities have been updated and a revised version was published during 2006/07;

- The Council's Financial Regulations were reviewed during 2006/07 and were formally adopted by the Council in April 2007;

- The Council adopted a comprehensive Value for Money Strategy supported by the development of a value for money analysis tool;

- The Council entered into an agreement with the Essex Procurement Hub to provide expert and economical support for major procurement exercises, and to assist with other ongoing procurement developments;

- The Council rolled out the Essex Marketplace ordering system across the majority of Council Services, to provide a more secure and controlled environment, with the benefit of making more transparent the cost of goods and services throughout the Council;

- The Council established a Data Quality Strategy, the aim of which is to codify responsibilities for data quality in the organisation, and ensure data is accurate and verifiable. Progress against these aims will be evaluated in the forthcoming data quality self assessment;

- The Council adopted a Business and Internal Control Assurance Framework, to demonstrate the robustness of the Council's governance arrangements and their consistent application across Council services;

- The Council made arrangements for the establishment of an Audit and Governance Committee, in line with CIPFA guidance, in order to demonstrate independent assurance on the adequacy of the Council's risk management and control arrangements;

- A corporate policy in respect of team building events was agreed by Management Board. This followed an event held at a venue and at a time considered inappropriate for such a purpose, referred to in paragraph 3.1.5;

- 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. The Strategy and associated policies were re-issued to all staff in 2006/07;

- All Internal Audit reports now include a section on the implications of the report on the Council's Statement on Internal Control, as an aid to management in highlighting key control issues;

- A review of the effectiveness of the Council's system of internal audit was undertaken and reported to Management Board during 2006/07. A report will be submitted to the Audit and Governance Committee in June 2007, alongside the Internal Audit Annual Report for 2006/07;

- A detailed Internal Audit study was undertaken into the use and cost of consultants across all Council services, which concluded that both revenue and capital costs appeared to be reasonable, with rates generally comparing reasonably to market rates; and

- 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 2006/07. The issues previously identified in 2005/06 have also been addressed in the latest statements.

6 SIGNIFICANT INTERNAL CONTROL ISSUES

6.1 Internal audits undertaken during 2006/07 have shown that weaknesses persist in the application of some of the Council's systems of internal control as defined in Financial Regulations. Repeating the finance awareness training during 2007/08 will support managers and other staff with financial responsibilities.

6.2 The Council has strong internal controls in place to minimise the risk of fraud, and maintains a culture that will not tolerate fraud or corruption, whether from inside or outside the Authority. Despite the assurance provided by these controls the Audit Commission advises that the Council needs to be able to demonstrate more explicitly that its staff, members and contractors display the highest standard of conduct in ensuring probity in the conduct of the Council's business. The Council acknowledges the advice of the Audit Commission and will consider the risk of fraud more explicitly in the future. A range of measures will be considered, including the appropriateness of existing ethics training for staff.

6.3 An Internal Audit report identified that there is a need for a more strategic approach in sourcing external funding, to ensure that additional funding is being sought in priority service areas. This should involve corporate support and co-ordination, dedicated financial and staffing resources, and a framework to be put in place for securing and managing external funding. An officer working group is taking this work forward under the leadership of a Head of Service.

6.4 Internal and External Audit reports have highlighted the need for regular reconciliations of financial systems. The Head of Finance has put in place arrangements to ensure that this function is undertaken, and compliance will be tested as part of the audits of the relevant systems undertaken in 2007/08.

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:..

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

I confirm that these accounts were approved by the Council at the meeting held on 28 June 2007.

COUNCILLOR CAROLINE POND
CHAIRMAN OF THE COUNCIL

June 28, 2007

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 46 present fairly the financial position of the Council as at 31 March 2007 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
HEAD OF FINANCE

June 25, 2007

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 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Housing Revenue Account, the Collection Fund, the Balance Sheet, the Statement of Total Recognised Gains and Losses, 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 2006 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 2006.

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

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 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

Paul King
Audit Commission
Springvale Court
Hadleigh Road
Sproughton
Ipswich
Suffolk
IP8 3AS
September 2007

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.

BALANCE SHEET

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

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure that adds 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.

CAPITAL FINANCING REQUIREMENT

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

CASH FLOW STATEMENT

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

COLLECTION FUND

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

GLOSSARY OF TERMS

CONSISTENCY

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

CONTINGENCY

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

CONTINGENT LIABILITIES

A contingent liability is either:

(i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain 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.

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.

DEFERRED CHARGES

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

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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

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.

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)

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

The cost or 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.

GLOSSARY OF TERMS

OPERATIONAL ASSETS

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

POST BALANCE SHEET EVENTS

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

PRIOR YEAR ADJUSTMENTS

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

PROVISIONS

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

(i) the local authority has a present obligation (legal or constructive) as a result of a past event;

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate can be made of the amount of the obligation.

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

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

(i) by an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and

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

PRUDENCE

The concept that revenue is not anticipated 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.

GLOSSARY OF TERMS

RELATED PARTIES

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

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

Examples of related parties of an authority include:

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

Examples of related parties of a pension fund include its:

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

These lists are not intended to be comprehensive.

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

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

RELATED PARTY TRANSACTION

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

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

This list is not intended to be comprehensive.

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

GLOSSARY OF TERMS

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.

TRANSFER OF UNDERTAKINGS PROTECTION OF EMPLOYEES (TUPE)

The TUPE regulations are there to protect council employees when they transfer to another organisation that is going to provide a service to the Council which was formerly provided directly by the Council. Employees transfer on their existing conditions of service and as such are protected. The staff at the council's leisure centres transferred to Sports and Leisure Management Ltd. under the TUPE arrangements.

UNAPPORTIONABLE CENTRAL OVERHEADS

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

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

(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.

(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 pat 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 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 pf 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.

GLOSSARY OF PENSION SCHEME RELATED TERMS

SCHEME LIABILITIES

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

SETTLEMENT

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

(i) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension

(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.