Supplementary Council Agenda

Epping Forest District Council

Council
Tuesday, 29th June, 2010

Place: Council Chamber, Civic Offices, High Street, Epping

Time: 7.30 pm

Committee Secretary: Council Secretary: Ian Willett
Tel: 01992 564243 Email: iwillett@eppingforestdc.gov.uk

---

6. REPORTS FROM THE LEADER, CHAIRMAN OF THE OVERVIEW AND SCRUTINY COMMITTEE AND MEMBERS OF THE CABINET (Pages 3 - 8)

To receive reports from members of the Cabinet on matters falling within their area of responsibility received since the despatch of the agenda:

(a) Report of Environment Portfolio Holder
(b) Report of Safer and Greener Portfolio Holder
(c) Report of Operation Planning and Transport Portfolio Holder

13. STATUTORY STATEMENT OF ACCOUNTS 2009/10 (Pages 9 - 94)

To consider a report of the Audit & Governance Committee arising from its meeting on 21 June 2009 and the Statutory Statement of Accounts for 2009/10 (attached).

This page is intentionally left blank

Report to the Council

Committee: **Cabinet** **Date: 29 June 2010**

Subject: **Environment Portfolio**

Portfolio Holder: **Councillor Mrs Mary Sartin**

Recommending:

That the report of the Environment Portfolio Holder be noted

Waste Management

1. New waste collections arrangements introduced in September last year continue to work well with overall recycling for 2009/10 of over 50%. The current monthly recycling rates are even higher and it is expected that the overall recycling rate for 2010/11 will be above the current Council target of 58%.

2. The Council has ratified the Cabinet decision of the formation of two new member groups to oversee the Inter Authority Agreement and advise the Essex officer group on the management of waste service going forwards. These groups have now been formed and have commenced working.

3. The meeting of the Safer Cleaner Greener Scrutiny Panel on 1 July 2010 will receive a report on the performance of the waste collection services during the 2009 Christmas holiday period.

4. Officers are presently in active discussions with districts and the County regarding the formation of a regulatory services partnership (ELARS – Essex Local Authorities Regulatory Services Partnership). Whilst this is not around directly shared services it is hoped that it will provide extra efficiencies arising from areas such as:

- shared knowledge
- access to specific expertise
- access to additional resources
- shared intelligence

Essex County Council is currently providing the support funding for a Partnership Co-ordinator post.

5. Following various discussions at Waste Partnership Board meetings and at officer level, agreement has now been reached with our contractor's, Sita, for the inclusion of foil and aerosols as part of our dry recycling collections. Although discussions have been going on for some time regarding this it was only at the end of May that Sita gave us formal confirmation that they were able to accept these items within the waste stream. Sacks for dry recycling which are beginning to appear in our outlets now include this information and further details will be included in the next

calendar which will be issued towards the end of August. Information will also appear on the Council's website. For residents putting these items into their recycling sacks the two important messages are that aluminium foil and foil containers must have been washed clean and that aerosols must be fully discharged.

Flood Alleviation

The Flood and Water Management Act has obtained royal assent earlier this year. This act places new responsibilities on local authorities in respect of all forms of flooding. It also places requirements for cooperation between various agencies responsible for flooding. We are working closely with Essex County Council who have the leading role under the new legislation. The County Council intends to form a partnership across the county and I attended the opening partnership meeting on 27 May. The existing Task and Finish Panel will receive a report once more information becomes available.

Report to the Council

Committee: **Cabinet** **Date: 29 June 2010**

Subject: **Safer and Greener**

Portfolio Holder: **Councillor P Smith**

Recommending:

That the report of the Safer and Greener Portfolio Holder be noted

---

1. Overall crime levels within the District remain lower than last year but recent weeks have seen an increase in crimes such as millennium burglaries (i.e. entering properties with the intention of finding car keys to steal a car). However, given the difficult economic circumstances, keeping overall crime levels below that for 2008/09 is a creditable performance for the Community Safety Partnership and Epping Forest District still remains a low crime area and a very safe place to live and work.

2. April has brought with it some significant changes to the responsibilities of Community Safety Partnerships, most notably the requirement for CSPs to take responsibility for reducing re-offending rates. This goes hand-in-hand with the Probation Service now having statutory status on CSPs, although in our case the Probation Service has always had a seat on the CSP Strategy Panel.

3. The two special Crime & Disorder Scrutiny meetings were very successful although attendance by the general public was disappointing. The Strategy Panel will look to see how it can encourage greater public participation in these meetings and in setting future priorities.

Safe & Sound Project

4. Epping Forest District Council, Voluntary Action Epping Forest and Epping Forest District Community Safety Partnership (CSP) began a new project on 1 April 2010. The service aims to improve the quality of life of older people by helping them to live independent and safer lives in their own homes. The service educates clients against crime and fire prevention in their homes and fits the appropriate equipment. The project will be launched on 30 June here in Epping with new promotional literature and the new van with the new livery.

5. Cross border criminality between ourselves and London has been identified as an issue in our Strategic Assessment. A new officer on a 6 month contract was appointed in May to work across the 3 districts in West Essex (Epping Forest, Harlow and Brentwood). He is currently liaising with the cross border Metropolitan Police areas and surrounding boroughs, Government Office London and Go-East to establish an intelligence/analyst working group. A new group called the East London Burglary Reduction Group has been established and its first meeting will be held in our district and chaired by us next month.

6. Crucial Crew (aimed at year 6 pupils) was presented at Gilwell Park from Monday 7 June through to Friday 18 June 2010 and was a great success. Reality Roadshow (aimed at year 9 pupils) which has already taken place at Davenant and Roding Valley schools, will be presented in King Harold School next month and rolled out to the other schools in September.

Report to the Council

Committee: **Cabinet** **Date: 29 June 2010**

Subject: **Operational Planning & Transport**

Portfolio Holder: **Councillor S Stavrou**

Recommending:

That the report of the Operational Planning & Transport Portfolio Holder be noted

---

At the last Cabinet meeting it was agreed that work on all three parking reviews be suspended. The current costs of these schemes is more than the existing budget allocation. We are in discussion with the County Council to seek a reduction in costs. A meeting is scheduled with the County Portfolio Holder for Highways & Transportation on 22 June. A further update will be available at Full Council.

This page is intentionally left blank

Report to the Council

Subject: **Statutory Statement of Accounts 2009/10** **Date: 29 June 2010**

Report of: Director of Finance and ICT **Item: 13**

Recommendation of the Audit and Governance Committee

1. The Audit and Governance Committee considered the draft Statutory Statement of Accounts on Monday 21 June. At that meeting Members raised a number of questions and answers were provided to all of those questions. The wording on Note 11 Related Party Transactions was amended to make it clear that the payments listed are to the organisations detailed in the Note not to the Members associated with the organisations. The Audit and Governance Committee decided to recommend the Statutory Statement of Accounts for adoption by Council.

2. The Audit and Governance Committee also considered the draft Annual Governance Statement, which is normally presented with the Statutory Statement of Accounts. Members felt that part of the draft Statement should be re-worded, a view endorsed by the external auditor, and an amended version of the Statement presented to the next meeting of the Committee. Therefore the Committee were unable to recommend the Statement as drafted to Council and it has not been included with the Statutory Statement of Accounts at this time.

Explanatory Comments on the Statutory Statement of Accounts

3. This paper accompanies the Statutory Statement of Accounts to make them more accessible, aid interpretation and highlight key issues. Detailed reports on the Revenue and Capital Outturns have already been made to the Finance and Performance Management Scrutiny Panel and Cabinet Committee on 10 and 14 June, and Member's attention is also drawn to these reports.

4. The Chartered Institute of Public Finance and Accountancy (CIPFA) publish 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.

5. In previous years the Statement of Accounts included a 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 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.

6. 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. The Cashflow Statement 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. Neither the Balance Sheet nor the Cashflow Statement required direct amendment to comply with the SORP.

<u>Introduction and Explanatory Foreword (pages i to ix)</u>

7. 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

- There are some signs of a limited recovery in the economy:
  a) increases in income, some from property related activities;
  b) increases in the value of housing assets; and
  c) improved predicted return on the money held as part of the administration of the Heritable Bank.
- The Council has remained debt free and has substantial capital reserves, so there should be no need to borrow in the medium term.
- The General Fund Revenue Account achieved a lower deficit than had been anticipated and the Housing Revenue Account returned a small surplus instead of the estimated small deficit.
- Some non-housing capital projects have been subject to delay and the resources carried forward to the next financial year. Where there was anticipated slippage on the housing programme other schemes were accelerated to balance the housing programme overall.
- There were no surplus land disposals but some proposals for development have emerged. Thus there were no significant capital receipts in the year and council house sales increased slightly to 9, from 7 in 2008/09.
- Items that will impact on the Council in the future include:
  a) the overall state of the pubic finances will lead to significant reductions in Government grant;
  b) the next Comprehensive Spending Review (2011/12 to 2014/15) will move the responsibility for concessionary fares and in so doing necessitate major changes to the grant formulae.
  c) the HRA subsidy system may change and the Council

could be forced to take on £200 million of debt; and

d) reform of the Local Government Pension scheme.

8. The creditor progress report issued by the Heritable administrators (Ernst & Young) on 28 January 2010 projected an increase in the return to creditors from 80p to 85p in the £. Therefore, the accounts include an impairment based on recovering 85p in the £. In normal circumstances the impairment would be charged to the Income and Expenditure Account and impact on the General Fund Balance. However, in view of the overall uncertainty about the timing and ultimate levels of recovery from the various administrations, the previous government encouraged authorities to postpone until 2010/11 the impact on budget calculations of the impairments. The necessary adjustments to account for the impairment have been included in the 2010/11 budget.

Statement of Accounting Policies (pages 2 to 7)

9. This statement sets out how the figures in the accounts have been arrived at. There have been few changes this year and where a change has occurred the changes are explained both in this statement and in the accounts where they have impacted on the figures reported.

Income and Expenditure Account (page 8)

10. This account is a summary of the resources generated and consumed by the authority in the year. 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 £20.5 million, less than half the £57.0 million for 2008/09.
- Total Net Operating Expenditure for the year was £24.2 million, again less than half the £60.6 million for 2008/09.
- The Deficit for the year was £3.9 million, less than a tenth of the 2008/09 deficit of £40.4 million.

11. Even though this is the fourth time this statement has been prepared it is still more useful for those analysing the figures from a theoretical view than a practical one. Previously I have stated that comparisons between the two years will be more helpful to readers of the accounts than examining the deficit resulting from the requirements of private sector accounting policies that are ultimately reversed, and so have no effect on the Council Tax. However, even that aspect was limited for 2008/09 as the ability to compare was reduced by the effect of charging £32.2 million to the account as part of the process to reflect lower asset values.

Statement of Movement on General Fund Balance (page 9)

12. This is a reconciliation showing how the balance of resources generated/ consumed in the year links with the statutory requirements for raising council tax. As such it is effectively what brings the output from the 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 £3.7 million (2008/09 £41.4 million).

Key Issues

- A deficit of £135,000 occurred in the year and this has reduced the General Fund Balance.
- The outturn on the General Fund was £702,000 better than anticipated in the revised estimates.

Statement of Total Recognised Gains and Losses (page 10)

13. 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 £31 million.
- The increase arises from a surplus on the revaluation of fixed assets of £48.4 million and other gains of £0.2 million; these gains are partially offset by an increase of £13.8 million in pension liabilities and the deficit on the Income and Expenditure Account of £3.9 million.

Balance Sheet (page 11)

14. This lists what the Council owns, what is owed to the Council and what the Council owes to others as at 31 March 2010. 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 £605 million as at 31 March 2009 to £656 million as at 31 March 2010. This increase is due to net upward revaluations of £41 million on the Council's housing properties. During the year £12 million was spent on additions to fixed assets and £0.8 million of fixed assets were sold.
- 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 £33.8 million, a decrease of £23 million, although this is off set by a £9.2 million increase in cash.
- Debtors have increased from £4.2 million to £12 million. Increases of £7.1 million in amounts due from Government and £0.7 million in sundry debtors are the main changes. The Council is owed money by the Government for benefit payments and non-domestic rates, as these payments are made on account with the actual expenditure being claimed after the year end. Last year the Council owed money to the Government.
- The largest liability on the balance sheet is the Pensions Liability of £56.5 million, up by £15 million. Despite the recovery improving assets values in the scheme by 36%, changes in the actuarial assumptions used have increased the projected liabilities by even more. The scheme actuary

(Mercer) has advised that the assumptions used as at 31 March 2010 are more conservative, driven by the yields on corporate bonds falling. The balance sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2010. It does not mean that this full liability will have to be paid over in the near future.

- Creditors have reduced from £9.7 million to £6.4 million. The largest reductions are in accruals £1.9 million and amounts owed to the Government £0.8 million. The fall in accruals is primarily due to the contract payments for the waste service being more upto date in 2009/10.
- The Council has substantial revenue reserves on both the General Fund (£8.3 million) and the Housing Revenue Account (£6.1 million).

<u>Cash Flow Statement (page 12)</u>

15. 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 increased by £7.9 million.
- The net cash flow from revenue activities was £4.6 million, compared to -£5.6 million in 2008/09, the largest single movement contributing to this being the increase in revenue debtors.
- The net cash flow from capital activities was £952,000, compared to £6.8 million in 2008/09, this was partly due to £4.8 million more being spent on the purchase of fixed assets.

<u>Notes to the Core Financial Statements (pages 14 to 43)</u>

16. In previous years the notes for a particular statement have immediately followed that statement. Now all of the Core Statements are 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.

<u>Housing Revenue Income and Expenditure Account and Notes (pages 44 to 50)</u>

17. 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 comparisons can now be made between the financial years, although care needs to be exercised when looking at the deficit. The HRA 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 2009/10 the Income and Expenditure Account shows a deficit of £1.1 million.
- Despite the deficit mentioned above the actual HRA surplus was £8,000.
- There were 9 sales during the year but there are still 6,584 dwellings managed by the Council.

Collection Fund and Notes (pages 51 to 53)

18. This shows the income and expenditure for the 2009/10 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 is shared between a number of different organisations:

Essex County Council	73.0%
Epping Forest District Council	10.0%
Essex Police Authority	8.8%
Essex Fire Authority	4.5%
Parish/Town Councils	3.7%

Key Issues

- Collection rates for both Council Tax (97.48%) and Non Domestic Rates (97.56%) were down slightly (previously 97.6% and 97.58% respectively), as both individuals and businesses are clearly still experiencing difficulty paying their bills.
- Council Tax income was £79.4 million, of which £7.9 million was retained by EFDC and £2.9 million passed on to Town and Parish Councils.
- Non Domestic Rate income was £30.3 million. EFDC was allowed to retain £173,000 to help pay for the costs of collection and received £7.6 million of funding back from the National NDR Pool.

Epping Forest District Council

www.eppingforestdc.gov.uk

STATEMENT OF ACCOUNTS
2009-2010

STATUTORY STATEMENT OF ACCOUNTS 2009/10

CONTENTS

Further copies of this report are available from the Director of Finance & ICT at the Civic Offices, High Street, Epping, Essex, CM16 4BZ

INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

The days of local authority accounts being relatively straightforward documents that the average person can understand have long passed. The appearance and content of the accounts has changed dramatically, although, ahead of the major change to International Financial Reporting Standards next year, there have been no significant changes this year. The process we are required to follow and the key financial statements are outlined below.

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.

Users of older sets of accounts will have seen their focus as the Consolidated Revenue Account, which had the dual role of setting out the Council's financial performance and determining the net expenditure to be charged against Council Tax in the year. In recent years the statements 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.

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. The Cashflow Statement 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. Both the Balance Sheet and the Cashflow Statement are long established documents that have not been radically amended over time by the successive SORPs.

2009/10 saw a degree of stabilisation following the unprecedented economic shocks of 2008/09. However, the ongoing weakness of many economies has been highlighted by concerns about Euro zone members such as Greece and Spain. Drastic austerity measures in these countries have not been sufficient to prevent downgrading of their sovereign debt ratings and fears about the long term viability of the Euro remain. Closer to home, economic growth has been weak and a "double dip" recession is still predicted by many commentators. The United Kingdom is one of many economies where a tight rope is now being walked to end the spending programmes to provide economic stimulus without killing off the recovery.

Councils do not exist in a vacuum and the "Credit Crunch" has continued to impact on the Council throughout the year. Although the stimulus package and the delayed Comprehensive Spending Review (CSR) created something of an artificial protective bubble. Delaying the CSR meant that the grants that had previously been notified were honoured, I will return to the possible outcomes from the next CSR later.

The most significant development in service provision during the year was the introduction of the second wheeled bin for domestic refuse collection. This was an essential step to further boost recycling rates and ensure a weekly collection of some form was provided to residents all year round. Essex County Council provided some assistance with the increased costs, to reflect the benefit they received as the Waste Disposal Authority, but overall the Continuing Servies Budget (CSB) increased by just over £200,000.

There was also significant progress in leisure provision, with the extension of the contract for the management of Epping sports centre to align it with the other sites under the contract with Sports and Leisure Management. The joint use arrangements for Waltham Abbey sports centre came to an end with a successful handover to the host school, which has continued to keep the facilities available to the general public. During 2009/10 the Council decided to invest in sports provision in Waltham Abbey with the installation of an enhanced all weather playing surface being included in the Capital Programme for 2010/11.

In 2008/09 the Council's Balance Sheet suffered a substantial reduction with the fall in property values taking £129 million off net book values. Those reductions resulted from the general fall in value during the year of approximately 20%, this has been partially reversed with increases in value of around 10% in 2009/10. This positive revaluation has boosted the value of Council dwellings and garages by more than £40 million. It is worth re-stating that although this has had an impact on the Council's Balance Sheet changes in asset values are not taken into account when setting the Council Tax. The improvement in the property market is also evident from the increase in Council house sales which rose from 7 in 2008/09 to 9 in 2009/10, although this is still far short of the 28 and 46 disposals seen in the two previous years. No significant disposals of surplus land took place in 2009/10 but interest has been expressed in several potential areas of development which will be explored in 2010/11.

A number of the Council's significant income streams are property related and some of these have shown improvement during the year. The DDF has benefited by £24,000 due to higher than anticipated income from Local Land Charges and £43,000 due to Development Control. A ring-fenced account is maintained for Building Control which is required to break even over a three year rolling period. Even though income was £60,000 down on last year this was more than compensated for by cost control measures which led to a surplus of £48,000 for the year. The MOT service provided by Fleet Operations was particularly successful in 2009/10 and exceeded its original estimate for income by nearly £70,000.

The largest liability on the Council's Balance Sheet is in respect of the pension fund. This has increased significantly in the year from £41.5 million to £56.5 million. Even though the economic recovery has seen the assets of the scheme increase in value by £22 million, changes in the actuarial assumptions used have increased the projected liabilities by £37 million. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2010. 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 £837,000 has been reduced and the actual deficit was £135,000. Similarly, the Housing Revenue Account has a surplus of £8,000, slightly better than the revised estimate of a deficit of £25,000. The next section provides more detail on both the revenue and capital outturn for the year.

SUMMARY OF OUTTURN

The following tables provide a summary review of net expenditure and financing for 2009/10.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2009/10.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	18,015	18,148	17,446	(569)	(702)
Government Grants and Local Taxation	17,311	17,311	17,311	-	-
(Contribution to)/from Balances	704	837	135	(569)	(702)
Opening Balances - 1/4/09	8,435	8,435	8,435	0	0
(Contribution to)/from Balances	704	837	135	(569)	(702)
Closing Balances - 31/3/10	7,731	7,598	8,300	(569)	(702)

Net expenditure for 2009/10 totalled £17.446 million, which was £569,000 (3.3%) below the original estimate and £702,000 (4.1%) below the revised. When compared to a gross expenditure budget of approximately £72 million, the variances can be restated as 0.9% and less than 1% respectively.

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

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	17,416	17,424	16,900	(516)	(524)
In Year Growth	737	1,551	945	208	(606)
In Year Savings	(138)	(827)	(399)	(261)	428
Total Continuing Services Budget	18,015	18,148	17,446	(569)	(702)
DDF - Expenditure	1,875	2,065	1,841	(34)	(224)
DDF - One Off Savings	(614)	(1,771)	(2,760)	(2,146)	(989)
Total DDF	1,261	294	(919)	(2,180)	(1,213)
Appropriations	(1,261)	(294)	919	(2,180)	(1,213)
Net Expenditure	18,015	18,148	17,446	(569)	(702)

Continuing Services Budget

CSB expenditure was £569,000 below the original estimate and £702,000 lower than the revised. The variances have arisen on both the opening CSB, £524,000 lower than the revised estimate and the in year figures, £178,000 lower than the revised estimate.

In common with recent years salary savings make up a large proportion of the saving on the opening CSB. Actual salary spending for the Council in total, including agency costs, was some £19.351 million compared against an original estimate of £20.082 million. The salary saving was higher than in 2008/09 (3.7% compared to 1.7%), although 1.5% of the 3.7% saving was due to the pay award being settled at 1% when 2.5% had been allowed for in the original budget. The largest salary savings were in the Housing, Environment and Street Scene and Planning and Economic Development Directorates. There were a number of other underspent CSB budgets, with the largest underspends being on plant maintenance, gas and electricity at the Civic Offices (£64,000), the corporate improvement budget (£40,000) and the Performance Improvement Unit (£34,000).

The original in year CSB growth figure of £599,000 was increased to £724,000 at the revised estimate stage. This was primarily due to the changes in the waste management service, which had seen growth of £150,000 allowed for in the original estimates increased to £359,000 in the revised estimates. The actual outturn of growth of £204,000 was between the two and accounts for £155,000 of the £178,000 variance on the in year figure.

District Development Fund

Net DDF expenditure was £2,180,000 below the original estimate and £1,213,000 below the revised. There are requests for carry forwards totalling £523,000 and therefore the variation actually equates to a £690,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The net DDF spend decreased between the Original and Revised position by some £967,000, this was due to a mixture of items brought forward from 2008/09 and new items identified during 2009/10. As the government refused to extend the deferment regulation that had allowed authorities to carry forward impaired assets it was necessary to budget for this in 2010/11. To prevent this having a disproportionate effect on the DDF the income from a VAT reclaim scheme was prudently estimated to match the impairment at £375,000. The income received from the VAT reclaim to date has exceeded the estimate by £783,000. There was also substantial rephasing of the funds allocated to the Local Development Framework into 2010/11.

Two portfolios saw variations in excess of £100,000 on their DDF when compared to the revised estimate. Planning and Economic Development had a net underspend of £264,000. This was primarily due to an underspend of £115,000 on the Local Development Framework and Development Control income exceeding the estimate by £43,000. Corporate Support Services saw a net underspend of £164,000. The largest item was an underspend of £91,000 on various building works, whilst income from Local Land Charges was £24,000 better than estimated. The amounts for the Local Development Framework and the building works have been carried forward.

The appropriation of additional income items was £687,000 higher than expected. As already mentioned above the VAT reclaim was some £783,000 better than allowed for. This gain was partially off set by the reduction in investment income being £173,000 greater than the revised estimate. The Medium Term Financial Strategy set in February 2010 had anticipated that the DDF would largely be used up over the life of the strategy so the improvement of £690,000 in the unallocated balance will increase flexibility in considering further one-off schemes in 2010/11.

Appropriations

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

Housing Revenue Account

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

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	14,071	14,206	13,583	(488)	(623)
Housing Revenue Account Subsidy Payable	11,193	9,751	9,751	(1,442)	0
Depreciation	9,246	7,776	7,776	(1,470)	0
Total Expenditure	34,510	31,733	31,110	(3,400)	(623)
Gross Dwelling Rents	25,454	25,188	25,145	(309)	(43)
Other Rents and Charges	4,647	4,636	4,754	107	118
Total Income	30,101	29,824	29,899	(202)	75
Net Cost of Service	4,409	1,909	1,211	(3,198)	(698)
Interest and Other Transfers	1,274	544	755	(519)	211
Transfer from Major Repairs Reserve	4,468	2,998	3,033	(1,435)	35
Net Operating Income	(1,333)	(1,633)	(2,577)	(1,244)	(944)
Appropriations					
Capital Expenditure Charged to Revenue	1,525	1,525	2,145	620	620
Other	196	133	424	228	291
Deficit/(Surplus) for Year	388	25	(8)	(396)	(33)
Opening Balance - 1/4/09	(6,081)	(6,081)	(6,081)	-	-
Deficit/(Surplus) for year	388	25	(8)	(396)	(33)
Closing Balance - 31/3/10	(5,693)	(6,056)	(6,089)	(396)	(33)

A deficit within the Housing Revenue Account of £388,000 and £25,000 was expected within its original and revised revenue budgets respectively; the actual outturn was a surplus of £8,000. The main areas of underspend were staircase lighting, heating, grounds maintenance and minor sewerage works. The HRA also benefited from higher investment interest than had been estimated as both the HRA balances that earn interest and the interest rate applied were higher than anticipated.

v

The Revenue Contribution to Capital Outlay figure is £620,000 higher than the revised estimate at £2.145 million. This was necessary to compensate for the underspends during the year which would have led to the balance on the HRA exceeding the current capitalisation guidelines. This has reduced the use of the Major Repairs Reserve, which is consequently £0.5 million higher than estimated. This is shown in the following section covering the Capital Outturn, where it can be seen that the balance on the Major Repairs Reserve is £0.5 million higher than the revised estimate and £1 million higher than the original estimate.

The revenue balance on the Housing Revenue Account of £6.089 million is still much higher than the target balance of between £3 million and £4 million agreed by Cabinet when considering the most recent HRA five-year forecast.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2009/10.

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Non-Housing	7,676	4,906	4,060	(3,616)	(846)
Housing	9,021	9,300	9,162	141	(138)
Total Expenditure	16,697	14,206	13,222	(3,475)	(984)
Grants	2,261	1,621	1,436	(825)	(185)
Capital Receipts	7,646	4,557	3,674	(3,972)	(883)
Revenue Contributions	6,790	8,028	8,112	1,322	84
Total Financing	16,697	14,206	13,222	(3,475)	(984)

The table identifies a net underspend against the revised estimate of £984,000, some of which has been established as genuine savings. However, the majority represents slippage and expenditure has therefore currently been re-phased into 2010/11.

The main areas of slippage on non-housing items were waste management equipment (£138,000) and works on the civic offices (£127,000). Of the £846,000 underspend on the non-housing programme £783,000 will be carried forward, no items of expenditure were brought forward to balance the underspend. On the housing programme the greatest slippage was on the environmental improvements (£335,000) and kitchen and bathroom replacements (£150,000). However, the overall spending position was effectively managed as to balance the slippage of £932,000 some £794,000 of expenditure was brought forward to leave a net underspend of only £138,000. The items ahead of schedule and brought forward in the housing programme were heating/rewiring works (£395,000) and small capital repairs (£167,000).

Council house sales improved slightly from the lowest level in recent years of 7 in 2008/09 to 9 in 2009/10. There were no significant land sales in 2009/10, although interest in potential developments is improving. Even with the relatively low level of sales, 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	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/4/09	23,329	24,319	24,319	990	-
Usable Receipts Arising	273	346	446	173	100
Use of Other Capital Receipts	(7,646)	(4,557)	(3,674)	3,972	883
Closing Balance - 31/3/10	15,956	20,108	21,091	5,135	983

Major Repairs Reserve	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/4/09	5,190	6,919	6,919	1,729	-
Major Repairs Allowance	4,778	4,778	4,778	-	-
Use of MRR	(5,265)	(6,503)	(5,967)	(702)	536
Closing Balance - 31/3/10	4,703	5,194	5,730	1,027	536

CARBON REDUCTION

The Council remains committed to reducing its carbon footprint and in addition to signing the Nottingham Declaration has developed a Carbon Change Strategy. The objectives of the Carbon Change Strategy are:

- Reduce our carbon footprint
  Substantially reduce the amount of CO_2 and the other greenhouse gases we as a Council emit through all our services and operations.
- Be a community leader
  To reduce our impact and to lead by example, taking forward our knowledge, partnerships and resources to encourage and help the wider community and stakeholders to become more sustainable.
- Use our powers
  Influence and use our powers in procurement, private housing, commercial sector and planning. Minimise the environmental impact of new development and ensure any future developments are able to withstand the challenge of the changing climate.
- Prepare the Council and the District for the impacts of climate change
  Make preparations to ensure the Council's assets and operations are resilient to the predicted climate change impacts and assist in the work to prepare the District for the new climate.

The Council is working on a number of initiatives to reduce its carbon footprint, these include the virtualisation of computer servers and the installation of replacement windows and heating at the Civic Offices. The combined effect of these initiatives should be to substantially reduce power consumption.

THE FUTURE

At the moment public sectors across the world are coming to terms with the years of austerity that lie ahead. Some of our Euro zone neighbours have lost their "triple A" credit ratings and seen deficit reduction measures result in strikes and civil disobedience. If this country is to retain "triple A" status, and avoid the increase in borrowing costs that would follow a downgrading, the new government must act quickly and decisively. There have been some small signs of recovery but these remain limited and economic growth alone cannot be relied upon to eliminate the deficit. Hence the need for reduced public expenditure, but where to make the cuts and how deep to go?

The outgoing government delayed the Comprehensive Spending Review (CSR) for the three years 2011/12 to 2013/14. This was helpful in that the previously notified grant figures were honoured with the 0.5% (£47,000) increase for 2010/11 confirmed. However, it was not helpful in that the Medium Term Financial Strategy (MTFS) set in February 2010 had to make assumptions about future levels of grant support. The MTFS assumed a grant reduction of 10% over the CSR period and it now seems likely that the reduction will be at least 15%, annual increases of 2.5% in Council Tax had also been assumed and it now appears that no increases will be allowed for two years. These factors combined mean that the savings target set out over the MTFS of £1.2 million is now likely to increase to £2 million or more. This will remain as speculation until the exact figures are confirmed but it is important that decisions on service provision going forward are made with this information in mind.

Even without the major reductions in public spending, a significant re-working of the grant allocation models was going to be necessary for the next CSR. The Department of Transport has made it clear that the responsibility for the national concessionary fares scheme will transfer from district councils to county councils from 1 April 2011. The funding of concessionary fares is a complex and contentious subject, being partly funded through block grant with a specific grant top up. Many authorities argued that they had not received sufficient funding to meet the increased costs with the introduction of the national scheme and this led to a re-allocation of the specific grants. The suspicion with the transfer of responsibility is that between them the Departments of Transport and Communities and Local Government will remove more funds from district councils than they had ever put in. This too remains as speculation for the moment but is a genuine cause for concern.

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 a reduction from the current level of £8.3 million to £4.3 million by the end of 2013/14.

Cabinet approved an updated five-year forecast for the Housing Revenue Account on 8 March 2010. Members agreed that Housing Revenue Account balances should be maintained within the range of £3 to £4 million, which is significantly lower than their current level of £6.1 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 Housing Revenue Account and the next four years will see a spend in excess of £31 million, inclusive of amounts carried forward from 2009/10. The financial strength of the Housing Revenue Account allowed the Decent Homes Standard to be achieved ahead of the Government target of 2010 and it is anticipated that this standard can be maintained.

The four-year programme of non-housing capital investment totals over £10 million, again inclusive of amounts carried forward from 2009/10. Environment and Street Scene and the Deputy Chief Executive have the largest programmes, with some £6.4 million being spent. Within Environment and Street Scene £1.7 million is available for parking schemes and £944,000 for spending on the leisure centres. The main items under the Deputy Chief Executive are the Customer Services Transformation Programme of £1.3 million and the Limes Farm Hall re-development at £1.1 million. The other major projects in the programme include £1.5 million for works on the Civic Offices and £1.4 million for various ICT projects.

The Council's financial strength has meant its response to the "Credit Crunch" could be more measured than many other authorities that have rushed to cut jobs and services. This foreword has demonstrated that the Council still has considerable revenue resources at its disposal and capital resources remain higher than originally estimated. However, there will be large reductions in the grant settlement for the next CSR and financial pressures are likely in areas such as benefit administration and concessionary fares. I have already stated above that when the Medium Term Financial Strategy is revisited savings targets will need to be increased substantially and over the coming years it is likely that the Council will have to reduce the level at which many services are provided and stop providing some completely.

Robert Palmer BA ACA
Director of Finance & ICT

INDEX 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 2009. 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 1 October 2008, except where these are inconsistent with specific statutory requirements, and supersedes previous Codes of Practice. The Code of Practice constitutes a 'proper accounting practice' under the terms of section 66(4) of the Local Government and Housing Act 1989.

2. ACCOUNTING CONCEPTS

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

Going Concern - the accounts have been drawn up on the basis that the Council is going to continue in its operational existence for the foreseeable future.

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

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

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. CASHFLOW PREPARATION

The SORP allows the preparation of the cashflow to be either the direct or indirect method. The Council has prepared the statement using the indirect method.

5. GROUP ACCOUNTS

Accounting practice requires that where the Council has a material financial interest and a significant level of control over another entity, it should prepare group accounts. The Council has reviewed its relationships with other entities and has concluded that no material financial interest or significant control exists and group accounts are therefore not required.

6. COLLECTION FUND

Until 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that, under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority. From the financial year commencing on 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year.

Until 2008/09 the SORP required that debtors and creditors relating to NNDR taxpayers be treated as debtors and creditors of the authority. Since the Council acts as the collecting agent for central government the SORP requirement is that they should be treated as debtors and creditors of central government. Prepayments and amounts owing as well as the provision for bad and doubtful debts should be part of the amount either owing to or from the NNDR pool.

7. 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 Council 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 Councils' Chief Valuer and Estates Surveyor. Additions since that date are included in the accounts at cost. Council dwellings and garages are revalued every year using Beacon Properties as the basis for valuation. The valuation takes the form of a full revaluation followed by four years of desk top revaluations, with the last full revaluation occurring for the 1 April 2005 valuation. Other assets are revalued as part of the Council's rolling programme under which assets are revalued over five years by District Valuer J Featherby, MRICS, and the Councils Principal Valuer and Estates Surveyor.

If an impairment occurs and 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. However where the loss of value is due to conditions other than the consumption of economic benefits this is taken to the revaluation reserve to the extent that revaluation gains relating to that particular asset exists within the revaluation reserve in the first place.

If the value of the impairment exceeds the revaluation amount relating to that asset already residing in the revaluation reserve then the difference is treated in the same way as for impairments due to the consumption of economic benefits. i.e. it is recognised in the Income and Expenditure Account in the year in which the impairment occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation. The latest valuation date is 1 April 2009 for Council dwellings and garages. However an initial review of property values toward the end of the financial year suggested that values had recovered somewhat since then to the extent that it was felt that a further valuation was necessary to establish a more realistic value as at 31 March 2010 this valuation was received during April 2010 and values have increased on average by about 9.5%. This valuation report has been used to generate the adjustments necessary to bring the valuation up to their March 2010 values.

Revaluations of individual assets are also undertaken when a material change happens. Infrastructure and community assets do not have a value attributed to them and therefore their value is based on the historic cost of providing the asset. Surplus assets, which are identified for sale on the open market, are revalued at market value which reflects any changes in planning permission granted.

Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use. Investment properties are included in the balance sheet at the lower of net current replacement cost and net realisable value (open market value). Infrastructure assets and community assets 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 buildings	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 (where market value for existing use cannot be ascertained)	

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 1, Page 14).

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, any valuation gains relating to those assets since 1 April 2009 are written off against the Revaluation Reserve with the remainder being written off against the Capital Adjustment Account. (See Note 25 & 27, Pages 27 & 28).

8. DEPRECIATION

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

9. 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 an intangible asset as it fulfils the two tests above. Council policy is to capitalise such expenditure but amortise it to revenue over the useful life of the asset, in this case five years.

10. 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.

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure of a capital nature that does not result in the creation of a fixed asset either tangible or intangible. This expenditure was previously known as Deferred Charges and such expenditure was initially classified as capital expenditure but then written off in full to the relevant service heading within the Income and Expenditure Account. Proper practice now is that the expenditure is charged directly to revenue. However, because the financing of this expenditure is from a capital source it is then reversed out within the Statement of Movement on General Fund Balance and charged against the Capital Adjustment Account so has no overall effect on the Council Tax nor the General Fund.

The Council has also obtained capitalisation directions for additional pension contributions made during 2009/10 of £644,320 (General Fund) and £302,096 (Housing Revenue Account). These amounts have been charged to a reserve that was specifically established for this purpose.

12. REVALUATION RESERVE/CAPITAL ADJUSTMENT ACCOUNT

The Revaluation Reserve contains upward revaluations occurring to Fixed Assets since 1 April 2007, revaluations prior to that date would have been within the now defunct Fixed Asset Restatement Account the balance of which was transferred to the Capital Adjustment Account on the same date. Where a subsequent downward valuation occurs, relating to a fall in market values generally, then previous upward revaluations relating to that particular asset are reversed. Any excess write down is charged to the Capital Adjustment Account after being passed through the Income and Expenditure Account and the Statement of Movement on General Fund Balance.

13. INVESTMENTS

Investments are accounted for in accordance with FRS 25, 26 and 29 respectively. These reporting standards prescribe the recognition, measurement and disclosure requirements in relation to financial instruments. All the Council's financial assets are in the form of loans and receivables. Investments are therefore shown in the Balance Sheet at amortised cost. The Council held investments with the Heritable Bank, a UK regulated subsidiary of an Icelandic Bank, that has since gone into administration. As a result the value of the investments held have been impaired in line with LAAP Bulletin 82 which was issued to provide guidance relating specifically to this situation.

14. 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.

15. 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 Council'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.

16. FINANCIAL LIABILITIES

Financial liabilities are carried at amortised cost. The Council has no borrowings and the only items falling under this definition are Creditors

17. 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. If however, non right to buy receipts are used to finance further capital expenditure on affordable housing then pooling can be avoided. The amount that remains with the Council is credited to Usable Capital Receipts Reserve and is therefore available to fund capital expenditure.

18. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

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 Capital Contributions 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 24, Page 27). Grants and contributions towards revenue expenditure funded from capital under statute are written out directly to the relevant heading 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 2010.

19. COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

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

20. RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves. They include reserves for the District Development Fund, pensions deficit, 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.

21. PENSIONS

The accounting treatment for pensions is to recognise the assets, liabilities and long term commitments, rather than merely the contributions to the scheme. The assets of the scheme are measured at realisable value (Bid Values), the liabilities are measured on an actuarial basis which examines the benefits for pensioners and accrued benefits for current scheme members.

22. 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 2009/10.

23. CONTINGENT GAINS

A contingent asset arises when it is possible that an asset will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council. A number of claims have been lodged with HM Revenue and Customs regarding output tax subsequently deemed over-declared, which fall within this definition (Note 47, page 44).

24. CONTINGENT LIABILITIES

A contingent liability arises when it is possible that an obligation will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council, or a present obligation arising from past events is not recognised because it either is unlikely that a transfer of economic benefits will occur or the amount of such a transfer cannot be measured with sufficient reliability. (Note 45, page 43)

25. VALUE ADDED TAX (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue and Customs. VAT can only be recovered on partially exempt activities where all such activities account for less than 5% of total VAT on all the Council's activities. The partially exempt proportion for 2009/10 was 1.87% (1.87% 2008/09).

26. 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 mowers. The leases transfer benefits of ownership without actually transferring title to the assets, and therefore in accordance with accounting practice the leased assets are not stated in the Balance Sheet. Hire purchase contracts similar to operating leases are accounted for on the same basis where applicable.

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

Various Council assets such as Housing Revenue Account shops, industrial estate units and areas of land are let to tenants under the heading operating leases. Rental income (net of cash incentives for a lessee to sign a lease) is credited to the Income and Expenditure Account.

27. COUNCIL TAX

The Balance Sheet shows only the Councils portion of arrears, prepayments and related bad debt provision with the balance being a debtor to major preceptors. Previous practice was to show the total relating to the Council and major preceptors.

28. NON DOMESTIC RATES

The Balance Sheet shows the net debtors as being that due to the non domestic rate pool. Previous practice was to show the figures gross as total arrears, prepayments and bad debt provision with the remainder being the amount due to the pool.

THE INCOME & EXPENDITURE ACCOUNT

CONSOLIDATED EXPENSES	Note	2009/10 Gross Expend £000	Income £000	Net Expend £000	2008/09 *Net Expend £000*
Continuing Operations					
Central Services	1/3	12,385	10,360	2,025	*2,801*
Corporate and Democratic Core	1/2/3	2,746	0	2,746	*2,973*
Cultural Related	1	4,513	595	3,918	*4,126*
Environmental Services	1/4	10,088	2,124	7,964	*8,136*
Highways and Transport	1/5	2,495	2,135	360	*442*
Housing	1	34,704	33,098	1,606	*2,797*
Planning & Development	1/5/8	3,860	1,325	2,535	*3,002*
Exceptional Item	9	290	1,448	(1,158)	*0*
Housing Revenue Account	1/2/3	30,087	29,626	461	*32,734*
NET COST OF SERVICES		101,168	80,711	20,457	*57,011*
(Gain)/Loss on disposal of fixed assets				(488)	*(301)*
Precepts paid to Parish Councils				2,942	*2,830*
Total Net (Surplus)/Deficit from Trading Operations	7			(1,419)	*785*
Interest payable and similar charges				41	*51*
Housing Capital Receipts Pool				761	*728*
Interest and Investment Income				(1,183)	*(3,600)*
Impairment of Investments				(155)	*794*
Pensions Interest/Return on Investments				3,238	*2,266*
TOTAL NET OPERATING EXPENDITURE				24,194	*60,564*
AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS					
Receipts from the Collection Fund				(10,845)	*(10,543)*
Government Grants and Other Contributions	8			(1,886)	*(1,414)*
Distribution from the Non-Domestic Rate Pool				(7,611)	*(8,183)*
DEFICIT FOR YEAR				3,852	*40,424*

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the Council 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 capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than from council tax.

- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are 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 earmarked for the future.

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

	Note	2009/10 £000	*2008/09 £000*
INCREASE IN THE GENERAL FUND BALANCE			
Deficit for the year on the Income and Expenditure Account		3,852	*40,424*
Net additional credits	12	(3,717)	*(41,397)*
Deficit/(Surplus) for the year		135	*(973)*
General Fund Balance brought forward		(8,435)	*(7,462)*
General Fund Balance carried forward		(8,300)	*(8,435)*

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 its net worth. In addition to the deficit 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 (Note 35, page 30). Other gains and losses are made up of the change in value of deferred capital receipts under the rents to mortgages scheme and gains as a result of an in-year restatement of housing stock valuations.

	31 March 2010 £000	*31 March 2009 £000 Restated*
Deficit for the year on the Income and Expenditure Account	(3,852)	*(40,424)*
Surplus/(deficit) arising on revaluation of fixed assets	48,430	*(44,630)*
Actuarial gains/(losses) on pension fund assets/liabilities	(13,794)	*3,034*
Other gains/(losses)	215	*(1,175)*
Total recognised gains and (losses)	**30,999**	***(83,195)***

BALANCE SHEET

	Note	31 March 2010 £000	31 March 2010 £000	*31 March 2009 £000*	*31 March 2009 £000*
LONG TERM ASSETS					
Fixed Assets	13		655,737		*605,174*
Intangible Assets	14		748		*710*
Investments	15		4		*10,448*
Long Term Debtors	16		1,844		*1,792*
TOTAL LONG TERM ASSETS			658,333		*618,124*
Current Assets					
Stocks and Work in progress	17	188		*272*	
Debtors and Prepayments	18	11,969		*4,202*	
Short Term Temporary Investments	19	33,836		*46,428*	
Cash at Bank and in Hand		10,505	56,498	*1,340*	*52,242*
Current Liabilities					
Creditors	20	(6,364)		*(9,712)*	
Bank Overdraft		(1,314)		*0*	
			(7,678)		*(9,712)*
TOTAL ASSETS LESS CURRENT LIABILITIES			707,153		*660,654*
Deferred Revenue Income	22		(526)		*(536)*
Pensions Liability	34		(56,493)		*(41,547)*
Unapplied Capital Contributions	23		(280)		*(226)*
Capital Contributions Deferred	24		(4,796)		*(4,286)*
TOTAL ASSETS LESS LIABILITIES			645,058		*614,059*
RESERVES					
Revaluation Reserve	25		52,208		*3,403*
Capital Adjustment Account	26		598,048		*596,749*
Capital Receipts Reserve	27		21,091		*24,319*
Pensions Reserve	34		(56,493)		*(41,547)*
Major Repairs Reserve	9(HRA)		5,730		*6,919*
Earmarked Reserves	28		9,429		*9,291*
Revenue Balances	29		14,325		*14,492*
Deferred Capital Receipts	30		1,336		*1,258*
Financial Instruments	31		(466)		*(711)*
Accumulated Absences Account	32		(150)		*(114)*
			645,058		*614,059*

I certify that the Statement of Accounts presents fairly the financial position of Epping Forest District Council as at 31 March 2010, and its income and expenditure as at that date.

ROBERT PALMER BA ACA
DIRECTOR OF FINANCE AND ICT

June 29 2010

THE CASH FLOW STATEMENT

		Note	31 March 2010 £000	31 March 2010 £000	*31 March 2009 £000 Restated*	*31 March 2009 £000 Restated*
REVENUE ACTIVITIES						
	Net Cash Flow from Revenue Activities	40		4,556		*(5,585)*
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE						
Out	Interest Paid		1		*3*	
In	Interest Received		(1,490)		(3,336)	
	Net Cash Flow from Investments and Servicing of Finance			(1,489)		*(3,333)*
CAPITAL ACTIVITIES						
Out	Purchase of Fixed Assets		13,068		*8,297*	
	Purchase of long term investments		0		*5,000*	
	Other Capital cash Payments		0	13,068	*90*	*13,387*
In	Sale of Fixed Assets and Repayment of Mortgages		(1,248)		*(1,049)*	
	Capital Grants Received	41	(116)		*(108)*	
	Repayment/Reclassification of Long Term Investments		(10,000)		*(5,000)*	
	Other Capital Cash Income		(753)	(12,117)	*(392)*	*(6,549)*
	Net Cash Flow from Capital Activities			952		*6,838*
MANAGEMENT OF LIQUID RESOURCES						
	Net Increase/(Decrease) in short-term deposits			(13,878)		*(750)*
	Net Increase/(Decrease) in other liquid resources			2,008		*3,677*
	Net (Increase)/Decrease in Cash			(7,851)		*847*

Index of Notes to the Statement of Accounts

Notes to the Core Financial Statements

1. 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.

	2009/10 £000	*2008/09* *£000*
Cars	355	*311*
Operational Vehicles	28	*47*
Printing Equipment	-	*6*
Vending Equipment	4	*5*
Total	387	369

The Council is committed to making payments of £224,000 in 2010/11 made up as follows.

	Vehicles & Equipment £000
Leases expiring in 2010/11	21
Leases expiring between 2011/12 and 2015/16	203
Total	224

The Council also has leases with third parties under operating leases with rental income from the lease being credited to trading operations, or in the case of shops, the Housing Revenue Account.

Assets Leased to Third Parties	2009/10 £000	*2008/09* *£000*
Land & Buildings		
Shops	1,561	*1,640*
Industrial & Commercial	890	*1,006*
Other	1,536	*1,400*
Total Rental Receivable	3,987	4,046

Gross Amount of Assets held for use in operating leases.

	2009/10 £000	*2008/09* *£000*
Land & Buildings		
Shops	15,615	*15,597*
Industrial & Commercial	10,802	*10,556*
Other	11,454	*11,455*
Total Assets	37,871	37,608

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

Notes to the Core Financial Statements

2. MEMBER ALLOWANCES AND OFFICER REMUNERATION

Member allowances and expenses are shown below. Further details of these allowances are available on page 64.

	2009/10 £000	*2008/09* *£000*
Allowances	283	*282*
Expenses	21	*23*
Total	**304**	**305**

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were (there were no officers in Bands between £95,000 - £149,999).

Remuneration Band	2009/2010 Number of Employees	2009/2010 Left in Year	*2008/2009 Number of Employees*	*2008/2009 Left in Year*
£50,000 - £54,999	11		*12*	
£55,000 - £59,999	4		*1*	
£60,000 - £64,999	0		*0*	
£65,000 - £69,999	0		*0*	
£70,000 - £74,999	1		*2*	
£75,000 - £79,999	2		*2*	
£80,000 - £84,999	4		*2*	
£85,000 - £89,999	0		*0*	
£90,000 - £94,999	1		*1*	
£95,000 - £149,999	0		*0*	
£150,000 - £154,999	1		*1*	
Total	24		*21*	

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

No Senior Officer fell under this category.

Senior Officers where emoluments - salary is between £50,000 & £150,000 per year.

Post Title	Salary (Including fees & Allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including pension contributions 2009/10
	£	£	£	£	£
Chief Executive	149,323	4,078	153,401	37,160	190,561
Deputy Chief Executive	89,398	3,730	93,128	22,251	115,379
Director of Finance & ICT	78,836	3,315	82,151	19,620	101,771
Director of Corporate Support Services	77,622	1,170	78,792	19,321	98,113
Director of Housing	79,001	3,813	82,814	19,647	102,461
Director of Environment & Street Scene	79,525	3,644	83,169	19,795	102,964
Director of Planning & Economic Development	79,177	4,596	83,773	19,703	103,476
Assistant to the Chief Executive	74,998	1,170	76,168	15,817	91,985

There were no payments relating to bonuses or compensation for loss of office. The emoluments above include all taxable employee payments. Pension Contributions relate to Employer's contributions of 12.1% and the deficiency payment.

2008/2009
Senior Officers where emoluments are £150,000 or more per year.

Post Holder Information

Post Title & Name	Salary (Including fees & Allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2008/09	Pension Contributions	Total Remuneration including pension contributions 2008/09
	£	£	£	£	£
Chief Executive - P Haywood	150,343	3,476	153,819	36,704	190,523

Senior Officers where emoluments are between £50,000 & £150,000 per year.

Post Title	*Salary (Including fees & Allowances)*	*Benefits in Kind*	*Total Remuneration excluding pension contributions 2008/09*	*Pension Contributions*	*Total Remuneration including pension contributions 2008/09*
	£	*£*	*£*	*£*	*£*
Deputy Chief Executive	*88,084*	*3,663*	*91,747*	*21,511*	*113,258*
Director of Finance & ICT	*76,089*	*3,315*	*79,404*	*18,581*	*97,985*
Director of Corporate Support Services	*74,276*	*1,095*	*75,371*	*18,139*	*93,510*
Director of Housing	*74,884*	*3,736*	*78,620*	*18,281*	*96,901*
Director of Environment & Street Scene	*78,081*	*3,655*	*81,736*	*19,068*	*100,804*
Director of Planning & Economic Development	*77,158*	*4,460*	*81,618*	*18,836*	*100,454*
Assistant to the Chief Executive	*73,392*	*1,095*	*74,487*	*16,715*	*91,202*

There were no payments relating to bonuses or compensation for loss of office. The emoluments above include all taxable employee payments.

3. AUDIT FEES

The following external audit fees have been paid to the Audit Commission and PKF (UK) LLP.

	2009/10 £000	*2008/09 £000*
External audit services in accordance with section 5 of the Audit Commission Act 1998	162	*158*
Certification of grant claims and returns under section 28 of the Audit Commission Act 1998	61	*61*
Fees paid to the Audit Commission in accordance with statutory inspection	7	*7*
Fees paid in respect of other services	2	*2*
Fees paid in respect of severance arrangements	10	-
Total	242	*228*

4. AGENCY AND CONTRACTED SERVICES

The Agency agreement with the Environment Agency lapsed in 2008/09 with all funds expended being fully reimbursed. There are no other agreements in place.

5. LOCAL AREA AGREEMENT (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2009/10 the LAA completed the second of its three year agreement.

The purpose of the LAA is:

• To form an agreement between the Essex Partnership, Essex County Council, Essex's Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex's twelve Local Strategic Partnerships, District and Borough Councils and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve fourteen mutually agreed outcomes that are regarded as being key to making Essex a better place to live and work.

• To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.

• To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

At the County level the members consist of :-

County and District Councils in Essex
Local Strategic Partnerships
Community Protection Authorities
Health Bodies
Learning Bodies
Voluntary Organisations
Other Organisations

Locally, One Epping Forest the Local Strategic Partnership for the area, in which the District Council plays a significant role, is the body responsible for the overall achievement of the aspirations of the LAA in the Epping Forest district. One Epping Forest comprises a range of statutory and voluntary agencies that includes West Essex PCT, Essex Police, Fire, the Education and Business Sectors, Essex County Council and Voluntary Action Epping Forest. One Epping Forest has its own dedicated full time co-ordinator, who has the role of overseeing it's functions.

All members of the Partnership have one voting right and as such no one party has more control over the operation of the partnership than any other member.

Essex County Council acts as the accountable body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved. The County is redistributing the previous capital element of the pooled grant, which is now in its own Area Based Grant (ABG), back to Community Safety Partnerships (CSP) as a grant allocation for safer and stronger communities.

The Epping Forest CSP received grant funding of £134,922. The Council acts as an agent of the partnership ensuring that grant monies are used in accordance with the wishes of the CSP as a whole. The only amounts included within the Income and Expenditure account relate to the provision of CCTV in Epping High Street for which the Council received grant of £22,000. The Council employs a Safer Communities Manager who manages the funds according to the wishes of the CSP.

6. 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 cumulative surplus for the three years to 31 March 2010, taken to the Building Control Charging Account is £8,000 (£81,000 deficit in 2008/09). The figures quoted relates only to the chargeable element of Building Control activities.

	2009/10 £000	*2008/09* *£000*
Expenditure		
Employee Costs	180	303
Premises	-	-
Transport	17	28
Supplies & Services	20	59
Central & Support Service charges	270	216
Depreciation	3	3
Total Expenditure	490	*609*
Income		
Building Regulation Charges	538	566
Other Income	-	33
Total Income	538	599
Surplus/(Deficit) for the Year	48	(10)
Balance B/Fwd	(25)	(15)
Balance C/Fwd	23	*(25)*

7. TRADING OPERATIONS

The following gross income and expenditure figures are included on the face of the Income and Expenditure Account. There was a net deficit in 2008/09 due to the impairment of property values in the year.

Industrial Estates & Other	2009/10 £000	*2008/09* *£000*
Income	1,519	*1,007*
Expenditure	555	*1,754*
(Deficit)/Surplus	964	*(747)*
North Weald Centre		
Income	1,326	*1,299*
Expenditure	871	*1,337*
(Deficit)/Surplus	455	*(38)*
Total (Deficit)/Surplus	1,419	*(785)*

8. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

	2009/10 £000	*2008/09 £000*
Revenue Support Grant	1,757	*1,139*
Local Authority Business Growth Initiative	22	*164*
Area Based Grant	23	*23*
Contributions from other local authorities	84	*88*
Total	1,886	*1,414*

9. EXCEPTIONAL ITEM

This item relates to a refund of VAT deemed to be overdeclared and interest in respect of output tax charged on supplies of leisure services for the period 1 January 1990 to 31 March 1994.

10. MINIMUM REVENUE PROVISION (MRP)

The Councils underlying need to borrow as expressed by the Capital Financing Requirement (CFR) is negative at 31 March 2010. As a result no MRP has been made (No MRP made in 2008/09).

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 2009/10 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, Cash Flow Statement and associated notes. Other material related party transactions for 2009/10 which are not fully disclosed elsewhere in the Statement of Accounts were as follows, and are presented on an accruals basis.

Transactions with organisations related by a declared interest of Council Members or Senior Council Officers. The Councillors noted below are representatives for the Council unless noted otherwise. Deputies cover meetings when the named representatives are unavailable. Payments are made to/from the organisations not to/from the Councillors noted below.

		2009/10		*2008/09*	
		£ Income	£ Expenditure	*£ Income*	*£ Expenditure*
Citizens Advice Bureau			113,840		*111,060*
Councillor David Bateman	Deputy				
Councillor Kewal Chana					
Councillor Ricki Gadsby					
Councillor Janet Hedges	Deputy				
Councillor Jeanne Lea	Deputy				
Voluntary Action Epping Forest		12,668	69,720	*11,278*	*64,900*
Councillor Janet Hedges					
Chris Overend					
Epping Forest Crime & Disorder Reduction Partnership		134,922	134,922	*134,922*	*134,922*
Councillor Syd Stavrou					
Councillor Mitchell Cohen	Deputy				
Safer Communities Projects			28,730		*24,770*

		2009/10		*2008/09*	
		£	£	*£*	*£*
		Income	Expenditure	*Income*	*Expenditure*
Epping Forest Local Strategic Partnership			10,000		*10,000*
Councillor Anne Grigg					
Councillor Diana Collins					
Councillor David Stallan					
Local Government Association			13,490		*13,846*
Councillor Diana Collins					
Councillor Chris Whitbread					
Councillor Tony Boyce					
East of England Regional Assembly			11,600		*11,300*
Councillor Diana Collins					
Waltham Abbey Tourist Information			15,000		*15,000*
Councillor Ricki Gadsby					
Councillor John Wyatt					
Councillor Jeane Lea					
Essex Wild Life Trust			26,170		*25,530*
Councillor Kenneth Angold-Stephens	Deputy				
Councillor Mary Sartin					
Councillor Peter Spencer					
Councillor Stephen Murray					
Councillor Dev Dodeja					
Essex Police - Community Support			88,400		*82,750*
Town Centre Partnerships			6,000		*6,000*
Councillor Kenneth Angold-Stephens					
Councillor Ann Haigh					
Councillor James Hart					
Councillor Jeanne Lea					
Councillor Jon Whitehouse					
Councillor Lesley Wagland					
Councillor Ricki Gadsby					
Councillor Rodney Barrett					
Councillor Pat Richardson					
Councillor Janet Hedges					

The disclosure note has been prepared using the Council's Register of Members Declarations of interest & appointments made by the Council in addition to a specific declaration obtained in respect of related party transactions. The Council has prepared this disclosure in accordance with its current interpretation and understanding of FRS8 and its applicability to the public sector.

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 level of Council Tax. Depreciation charges are a proper charge to the Income and Expenditure Account but cannot be charged to the Council's 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.

		2009/10 £000			*2008/09* *£000*	
AMOUNTS TO BE EXCLUDED						
Reversal of General Fund Depreciation		(1,621)			*(1,566)*	
Excess of depreciation charged to Housing Revenue Account services over the MRA element of Housing Subsidy		(3,033)			*(4,728)*	
Impairment of Fixed Assets		(33)			*(32,049)*	
Impairment of Investments		245			*(711)*	
Net gain/(loss) on disposal of fixed assets		488			*301*	
Revenue expenditure funded from Capital under statute		(385)			*(1,230)*	
Grants released		219			*171*	
Net charges made for retirement benefits in accordance with FRS17		(5,027)			*(4,792)*	
			(9,147)			*(44,604)*
AMOUNTS TO BE INCLUDED						
Employers contributions payable to the pension fund	3,874			*3,627*		
Less Capital direction received	(946)			*(972)*		
		2,928			2,655	
Leaseholder Contributions		103			*131*	
Capital expenditure charged to Revenue		2,145			*1,471*	
Transfer from usable capital receipts equal to the amount payable into the Housing Receipts Pool		(761)			*(728)*	
			4,415			*3,529*
TRANSFERS						
Transfers of surplus/(deficit) for the year on Housing Revenue Account		8			*(120)*	
Transfer from Housing repairs reserve		122			*327*	
Transfer to/(from) other reserves		885			*(529)*	
			1,015			*(322)*
TOTAL			(3,717)			*(41,397)*

Notes to the Core Financial Statements

13. MOVEMENT OF TANGIBLE FIXED ASSETS

	OPERATIONAL ASSETS					NON-OPERATIONAL ASSETS			
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Investment Properties	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2009	501,059	41,807	16,534	14,177	2,612	37,608	715	902	615,414
Reclassified	(124)	124	-	(70)	-	-	-	70	-
Restated	95	-							95
Impairment	-	(33)	-	-	-	-	-	(14)	(47)
1 April 2009	501,030	41,898	16,534	14,107	2,612	37,608	715	958	615,462
Additions	6,022	42	4,324	1,073	162	24	-	395	12,042
Disposals	(684)	-	(69)	-	-	-	-		(753)
Reclassified in year	-	-	-	872	-	-	-	(872)	-
Revalued in year	48,196	-	-	-	-	239	-	-	48,435
Restated in year	(7,090)	-	-	-	-	-	-	-	(7,090)
Gross Book Value 31 March 2010	547,474	41,940	20,789	16,052	2,774	37,871	715	481	668,096
Depreciation 1 April 2009	-	(2,639)	(4,341)	(3,255)	(4)	-	-	-	(10,239)
Accumulated Depreciation written off	7,090	-	-	-	-	-	-	-	7,090
Depreciation in Year	(7,099)	(525)	(1,262)	(392)	-	-	-	-	(9,278)
Depreciation on Assets Sold	9	-	59	-	-	-	-	-	68
Depreciation 31 March 2010	-	(3,164)	(5,544)	(3,647)	(4)	-	-	-	(12,359)
Net Book Value 31 March 2010	547,474	38,776	15,245	12,405	2,770	37,871	715	481	655,737
Net Book Value 31 March 2009	*501,058*	*39,168*	*12,193*	*10,922*	*2,608*	*37,608*	*715*	*902*	*605,174*

Capital Expenditure on:	Completed £000	WIP £000	Total £000	Financed by:	£000
Council Dwellings	6,022	123	6,145	Major Repairs Reserve	5,967
Vehicles and Equipment	2,333	-	2,333	Revenue	2,145
Plant & Equipt in Council Dwellings	1,813	-	1,813	Capital Receipts	3,200
Town Centre Enhancements	835	-	835	Grants/Contributions	730
Information Technology	141	45	186		
Parking Schemes	104	139	243		
Environmental & Flooding Works	162	-	162		
Highways and Footpaths	130	-	130		
Civic Offices	37	87	124		
Other Assets	70	1	71		
Total	11,647	395	12,042		12,042

13. MOVEMENT OF TANGIBLE FIXED ASSETS (CONTINUED)

Fixed assets owned by the Council include the following:	Number as at 31 March	
	2010	*2009*
Housing Revenue Account Properties		
Council Dwellings (including 48 hostel units)	6,584	*6,592*
Council Garages	2,814	*2,818*
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	16	*16*
Museum	1	*1*
Gymnasium	1	*1*
Plant Nursery	1	*1*
Playgrounds	18	*18*
Public Conveniences	2	*2*
Operational Equipment		
Plant and Vehicles	86	*74*
Investment Properties		
Commercial Properties	148	*148*
Industrial Estates	4	*4*
Recreational Airfield	1	*1*
Surplus Land Holdings	3	*3*
Community Assets		
Community Halls	9	*9*

Capital expenditure and financing	31 March	
	2010	*2009*
	£000	*£000*
Opening Capital Financing Requirement as at 1 April	(784)	*(784)*
Capital Investment:		
Fixed Assets	12,042	*8,102*
Intangibles	192	*405*
Sources of Finance:		
Capital Receipts	(3,392)	*(1,591)*
Governments Grants and Other Contributions	(730)	*(456)*
Revenue Provision	(8,112)	*(6,460)*
Closing Capital Financing Requirement as at 31 March	(784)	*(784)*

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. Previous practice was to write these off in the year of purchase. Amortisation of these assets will take place over five years following the year of purchase.

	31 March	
	2010	*2009*
	£000	*£000*
Balance as at 1 April	710	*366*
Amounts amortised to Revenue	(154)	*(60)*
Expenditure	192	*404*
Balance as at 31 March	748	*710*

15. INVESTMENTS

The Council's cash investments are fixed term deposits through the money market, and are classified as loans and receivables, as there is a fixed payment of principal and interest due on maturity and they are not quoted in an active market. Accrued interest relating to the investment held is now treated as part of the value of the investment.

	31 March	
	2010	*2009*
	£000	*£000*
Long term cash investments	-	*10,000*
Accrued Interest	-	*444*
Central Government War and Insurance Stock	4	*4*
Total Long Term Investments	4	*10,448*

16. LONG TERM DEBTORS

	31 March	
	2010	*2009*
	£000	*£000*
Mortgages	51	*85*
Rents to Mortgages	1,285	*1,173*
Other Local Authorities - Transferred Debt	508	*534*
Total Long Term Debtors	1,844	1,792

17. STOCKS AND WORK IN PROGRESS

	31 March 2010 £000	2009 £000
Work in Progress	23	*115*
Stocks	165	*157*
Total Stocks	188	*272*

18. DEBTORS AND PREPAYMENTS

	31 March 2010 £000	2009 £000 Restated
Amounts falling due in one year		
Government Departments and Other Local Authorities	8,541	*1,441*
Council Tax Arrears	544	*485*
Housing Rent Arrears	885	*844*
Sundry Debtors	4,070	*3,381*
Prepayments	430	*384*
Others	2	*16*
	14,472	*6,551*
Less Provision for Bad and Doubtful Debts	(2,503)	*(2,349)*
Total Debtors	11,969	*4,202*

Council Tax arrears shown above and the related bad debt provision relate only to the Councils proportion. The remainder is shown as part of the amount due from major preceptors on the basis that the Council has paid over more in precepts than it has actually received from Council tax payers, the figure itself is net of prepayments. National non-domestic rates arrears are shown as being due from central government as the Council merely acts as an agent collecting the amounts due, this amount is also shown net of prepayments.

19. SHORT TERM INVESTMENTS

The Councils short term cash investments are fixed term deposits, there is a fixed or determinable payment of principal and interest and they are not quoted on an active market. Accrued interest relating to the investment held is now treated as part of the value of the investment.

	31 March 2010 £000	2009 £000
Short term cash investments	33,156	*45,789*
Accrued Interest	680	*639*
Total Short Term Investments	33,836	*46,428*

20. CREDITORS

	31 March 2010 £000	2009 £000 Restated
Government Departments and Other Local Authorities	239	*1,025*
Council Tax	167	*169*
Housing Rents	188	*211*
Deferred Income	364	*518*
Sundry Creditors	2,064	*2,518*
Accruals	3,342	*5,271*
Total Creditors	6,364	*9,712*

Included within creditors is £3,000 (£3,000 in 2008/09) relating to Waltham Abbey Tourist Information Centre and £5,106 (£5,106 in 2008/09) relating to Essex Wildlife Trust, both of which fall within the definition of related parties.

Council tax prepayments shown above relate to the Councils proportion, the remainder is shown as part of the net amount owed by preceptors which forms part of the debtors figure, the same arrangement applies to non-domestic rates.

21. EXTERNAL BORROWING

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

22. DEFERRED REVENUE INCOME

	31 March 2010 £000	2009 £000
Balance as at 1 April	536	*544*
Cash received	-	*-*
Commuted sums arising	-	*2*
Amounts applied to the Income and Expenditure	(46)	*(46)*
Interest on Balances	36	*36*
Total Deferred Revenue Income	526	*536*

This account contains deferred credits from two sources. Deferred revenue receipts refer to money due from the Department for Communities and Local Government (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.

23. UNAPPLIED CAPITAL CONTRIBUTIONS

	31 March 2010 £000	31 March *2009* *£000*
Balance as at 1 April	226	*165*
Contributions arising	183	*428*
Contributions applied	(133)	*(378)*
Interest Received	4	*11*
Balance as at 31 March	280	*226*

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

24. CAPITAL CONTRIBUTIONS DEFERRED

	31 March 2010 £000	31 March *2009* *£000*
Balance as at 1 April	4,286	*4,000*
Grants Receivable	729	*457*
Written off to Service Accounts	(219)	*(171)*
Balance as at 31 March	4,796	*4,286*

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.

25. REVALUATION RESERVE

The movements on the Revaluation Reserve in this year are shown below:

	31 March 2010 £000	31 March *2009* *£000*
Balance as at 1 April	3,403	*49,742*
Revaluations during the year (see also note 13)	48,435	*51,537*
Restatement	(5)	*(2)*
Difference between historic cost and current value	38	*(286)*
Difference between historic cost and current value depreciation	337	*(1,422)*
Impairment of Fixed Assets	-	*(96,166)*
Balance as at 31 March	52,208	*3,403*

26. CAPITAL ADJUSTMENT ACCOUNT

The movements on the Capital Adjustment Account are shown below:

	31 March	
	2010	*2009*
	£000	*£000*
Balance as at 1 April	596,749	*631,319*
Minimum Revenue Provision Adjustment:		
Capital Contributions Deferred	219	*171*
Restatement	101	*(879)*
Depreciation	(9,432)	*(10,912)*
Disposal of Fixed Assets	(685)	*(373)*
Revenue Expenditure funded from Capital under Statute	(989)	*(1,966)*
Capital Financing		
Capital Receipts Applied	3,674	*2,785*
Revenue Contributions Applied	2,145	*1,471*
Major Repairs Reserve Applied	5,967	*4,989*
Difference between historic cost and current value:		
depreciation	(337)	*1,422*
disposals	(38)	*-*
Capital Grants Applied	707	*771*
Impairment of Fixed Assets	(33)	*(32,049)*
Balance as at 31 March	598,048	*596,749*

27. CAPITAL RECEIPTS RESERVE

	31 March	
	2010	*2009*
	£000	*£000*
Balance as at 1 April	24,319	*26,823*
Usable Capital Receipts arising in year	1,207	*1,009*
Usable Capital Receipts applied in year	(3,674)	*(2,785)*
Capital Receipts Pooled	(761)	*(728)*
Balance as at 31 March	21,091	*24,319*

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

28. EARMARKED RESERVES

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

	1 April 2009 £000	Transfers in £000	Transfers Out £000	31 March 2010 £000
Housing Repairs Reserve	4,035	122		4,157
District Development Fund	3,122	919		4,041
Pension Deficit Reserve	1,674		(946)	728
Insurance Reserve	500		(72)	428
Building Control	(25)	48		23
On Street Parking	(27)	68		41
Museum Fund	6	-		6
Small Loans Fund	6		(1)	5
Total Earmarked Reserves	9,291	1,157	(1,019)	9,429

29. REVENUE BALANCES

	31 March 2010 £000	*2009 £000*
General Fund	8,300	*8,435*
Housing Revenue Account	6,089	*6,081*
Collection Fund	(64)	*(24)*
Total Revenue Balances	14,325	*14,492*

30. DEFERRED CAPITAL RECEIPTS

	31 March 2010 £000	*2009 £000*
Rents to Mortgages	1,285	*1,173*
Sale of Council Houses	51	*85*
Total	1,336	*1,258*

Rents to mortgages relates to a scheme whereby former 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.

31. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account (FIAA) was established under Financial Reporting Standards 25, 26 and 29 when Financial Instruments were adopted into the SORP (2007). The FIAA balance at the end of the financial year represents the amount that should have been charged to Income and Expenditure in accordance with proper accounting practices under the SORP, but which Statutory Provisions allow or require to be deferred over future years.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. The latest creditor report issued by the administrators Ernst and Young, dated 28 January 2010 outlined that the return to creditors was projected to be 85p in the £ by end of 2012. The authority has therefore decided to recognise an impairment based on it recovering 85p in the £. However, the Government has allowed authorities to postpone until 2010/11 the impact on budget calculations of the impairments required by accounting practice. The increase in the recovery rate, along with an increase in the projected interim payments made in 2009/10 of 34.98% (£878,091) against a estimated 15% (£376,556) has resulted in the impairment reducing by £245,000. The breakdown of this account is shown below.

	31 March	
	2010	*2009*
	£000	*£000*
Impairment on loan	(556)	*(794)*
Impaired Interest for the year	90	*83*
	(466)	*(711)*

32. ACCUMULATED ABSENCES ACCOUNT

This Account holds the value of all flexitime and annual leave accrued in one financial year but not used until the following financial year.

33. ANALYSIS OF NET ASSETS EMPLOYED

The net assets employed by the Council representing the sum of local taxpayers equity is as follows:

	31 March	
	2010	*2009*
	£000	*£000*
		Restated
General Fund	63,816	*77,125*
Trading Operations	22,414	*22,189*
Housing Revenue Account	558,828	*514,745*
Total	645,058	*614,059*

34. PENSIONS

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

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

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary as at 31 March 2010. The approach to calculating the FRS17 figures in between full actuarial valuations is approximate in nature. Broadly the approach by the Actuaries assumes that the experience of the Fund will be in line with the actuarial assumptions used for FRS purposes. The approach adopted by the Actuary follows the CIPFA guide "Financial Reporting Standard 17 - Calculation Guide for Local Authorities".

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against Council Tax is based on 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.

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value.

	Essex County Council	
	2009/10 £000	*2008/09* *£000*
Income and Expenditure Account Net Cost of Services		
Current Service Cost	(1,692)	*(2,518)*
Curtailment Loss	(97)	*(8)*
Net Operating Expenditure Interest Cost	(7,205)	*(7,319)*
Expected Return on Assets	3,967	*5,053*
Net charge made to the Income & Expenditure Account.	(5,027)	*(4,792)*

	2009/10 £000	*2008/09* *£000*
Statement of Movement on the General Fund		
Reversal of net charges made for retirement benefits in accordance with FRS17	1,152	*1,165*
Actual Amount Charged against the General Fund Balance for Pensions in the year.	3,875	*3,627*
Employers contributions payable to the scheme	3,875	*(3,627)*

The employer's contributions certified by the Actuary to the Fund in respect of the period 1 April 2008 to 31 March 2011 are 11.1% for 2008/09, 12.1% for 2009/10 and 13.1% for 2010/11. (Employees contributions range from 5.5% to 7.5% depending on salary). The average employee contribution rates in respect of the new LGPS benefit structure are based on projected levels of pay as at 1 April 2008. In addition to these contributions lump sum payments are also required to address the deficit funding level. These are £1.796m (in 2008/09 terms), £1.769m (in 2009/10 terms) and £1.743m (in 2010/11 terms). There were no creditors relating to pension fund contributions at year end.

Notes to the Core Financial Statements

In 2009/10 the Council paid an employer's normal contribution of £3.456m representing 24.98% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2007 review as at 31 March 2007 were implemented with effect from 1 April 2008. The Actuary advised that the scheme was still under funded and that deficiency contributions mentioned above were required from all participating authorities. The sum required from this Council, included in the above contributions, was £1,769,416 for 2009/10 (£1,795,590 for 2008/09).

Contributions paid by employees into the Essex County Council Pension Fund in 2009/10 amounted to £930,556 representing 6.73% of employee's pensionable pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2009/10 these amounted to £330,283 representing 2.39% of pensionable pay. Additional early retirement costs due to redundancy amounted to £83,994, representing 0.61% of pensionable pay.

During the year pensions paid from the fund were £3,527,806 (£3,364,511 for 2008/09), retirement lump sums paid were £602,548 (£617,411 for 2008/09), transfer values received were £396,717 (£258,437 for 2008/09), and lump sum death benefits paid were £75,346 (£8,712 for 2008/09).

Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Funded Liabilities: Local Government Pension Scheme	
	2010 £000	*2009* *£000*
Net pensions liability at 1 April 2009	(41,547)	*(43,416)*
Movements in the current year		
Current service cost	(1,692)	*(2,518)*
Employers' contributions payable to scheme	3,875	*3,627*
Settlement and curtailment loss	(97)	*(8)*
Past service cost	-	*-*
Interest cost	(7,205)	*(7,319)*
Expected return on assets in the scheme	3,967	*5,053*
Actuarial gain/(loss)	(13,794)	*3,034*
Net pensions liability at 31 March 2010	(56,493)	*(41,547)*

	31 March	
	2010 £000	*2009* *£000*
The bid value of the above assets related to this Council was	82,726	*60,748*
The value placed on the liabilities related to this Council was	(139,219)	*(102,295)*
Consequently, at 31 March, the deficiency related to this Council was	(56,493)	*(41,547)*

Reconciliation of fair value of the scheme assets:

	2010 £000	*2009* *£000*
Fair Value of the plan assets at 1 April	60,748	*76,853*
Expected Rate of Return	3,967	*5,053*
Actuarial gains and losses	17,453	*(21,540)*
Employer contributions	3,875	*3,627*
Contributions by scheme participants	931	*890*
Benefits paid	(4,248)	*(4,135)*
Fair value of the plan assets at 31 March	82,726	*60,748*

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £3,967,000 (£5,053,000 for 2008/09).

Scheme History

	2009/10 £000	2008/09 £000	2007/08 £000 Restated	2006/07 £000 Restated	2005/06 £000
Present Value of Liabilities	(139,219)	(102,295)	(120,346)	(111,216)	(111,729)
Fair Value of Assets	82,726	60,748	76,853	82,431	76,676
Surplus/(deficit) in the scheme	(56,493)	(41,547)	(43,493)	(28,785)	(35,053)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £56,493,000 in the balance sheet has reduced the reported net worth of the Council by 8.65% (6.34% 2008/09).

As a result the overall amount to be met from the General Fund Balance has remained unchanged, but the costs disclosed for individual services are 4.07% (0.16% 2008/09) lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 3.43% (0.15% 2008/09) lower than it would otherwise have been.

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

The total employer contributions expected to be made to the scheme by the council in the year to 31 March 2011 is £3,885,000. The Current Service Cost is expected to be £2,753,000, based on 19.9% of pensionable salaries of £13,833,480 as at 31 March 2010.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Mercer Ltd a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the latest full valuation of the scheme as at 31 March 2007.

Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

	2009/10 %	2008/09 %
Long term expected rate of return on assets in the scheme:		
Equity investments	7.50	7.50
Government Bonds	4.50	4.00
Other Bonds	5.20	6.00
Property	6.50	6.50
Cash/Liquidity	0.50	0.50
Other	0.00	7.50
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.10	22.00
Women	25.00	24.90
Longevity at 65 for future pensioners:		
Men	23.10	23.10
Women	25.90	25.90
Rate of Inflation	3.30%	3.30%
Rate of Increase in Salaries	4.80%	4.80%
Rate of Increase in pensions	3.30%	3.30%
Rate for discounting scheme liabilities	5.60%	7.10%
Take-up of option to convert annual pension into retirement	50.00%	50.00%

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

	As at 31 March 2010		As at 31 March 2009	
	£000	%	£000	%
Equities	55,840	67.50	45,257	74.50
Government Bonds	6,535	7.90	5,285	8.70
Other Bonds	8,273	10.00	3,220	5.30
Property	7,694	9.30	5,953	9.80
Cash/Liquidity	4,384	5.30	1,033	1.70
Total	82,726	100	60,748	100

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.

Notes to the Core Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2009/10 %	2008/09 %	2007/08 %	2006/07 %	2005/06 %
Difference between the expected and actual return on assets	21.10	*35.50*	*11.50*	*1.10*	*15.80*
Experience gains and losses on liabilities	0.00	*0.00*	*1.60*	*0.00*	*1.90*

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 £41.547m at 31 March 2009 to an estimated net pension liability of £56.493m at 31 March 2010 has been caused by a significant rise in liabilities brought about by low bond yields, which have outweighed the boosted investment returns which were in excess of 30% for the year.

The £56.493m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2010 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 2010 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 2007 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

Changes to the Local Government Pension Scheme.

The provisions of the Local Government Pension Scheme were changed during 2007/08, following the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, together with other supplementary sets of Regulations. The Regulations most significantly introduce a "new look" LGPS with effect from 1 April 2008.

The changes mainly affect benefits accruing and member contributions from 1 April 2008 onwards with the result that employer's current service costs changed from that date. Previous changes to the Local Government Pension Scheme in 2005/06 permit employees retiring after 6 April 2006 to take an increase in their lump sum payment in exchange for a reduction in their future annual pension. The Actuary initially made assumptions that 50% of members would take up this option, which would reduce the employers pension costs. The Actuary has retained this assumption for 2009/10. Other changes to the LGPS following the introduction of the LGPS (Amendment) regulations 2006 and the LGPS (Amendment) (No 2) Regulations 2006, related to the removal of the Rule of 85 retirement provisions with effect from April 2008.

In order to continue to fund the increased employers contributions as a result of the 2007 triennial valuation, a capitalisation direction was applied for in 2009/10 to the value of £946,416 (£644,320 General Fund, £302,096 HRA). (£972,590 £662,139 General Fund, £310,451 HRA for 2008/09). The direction issued by the Department for Communities and Local Government was for the full amount applied for.
The 2007 Actuarial Valuation produced new funding levels for the years 2008/09, 2009/10 and 2010/11. The deficit contributions, are £1,795,590 for 2008/09, £1,769,416 for 2009/10 and £1,743,241 for 2010/11. The ongoing contribution level is 12.1% for 2009/10, and 13.1% for 2010/11. This represents a phased increase option as opposed to a full increase. The levels for 2008/09 were 11.1% for the ongoing contribution, and £1,795,590 for the deficit contribution. The increase of 1% in ongoing contributions relates to the amended LGPS from 1 April 2008, increases in life expectancy, and a fall in Bond yields.

35. 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 2009 £000	Net Movement in Year £000	Balance 31 March 2010 £000	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	3,403	48,805	52,208	Accumulated gains on revaluation of fixed assets after 31 March 2007	Note 25 page 27
Capital Adjustment Account	596,749	1,299	598,048	Value of Capital resources set aside to meet past expenditure and Fixed Asset revaluations prior to 31 March 2007	Note 26 page 28
Major Repairs Reserve	6,919	(1,189)	5,730	Resources available to meet future running costs for council houses.	HRA Statements Note 9 page 50
Capital Receipts Reserve	24,319	(3,228)	21,091	Proceeds of fixed asset sales available to meet future capital investment.	Note 27 page 28
General Fund	8,435	(135)	8,300	Resources available to meet future running costs for non-housing services.	Statement of Movement on General Fund Balance
Collection Fund	(24)	(40)	(64)	The net surplus/(deficit) retained from Council Tax receipts.	The Collection Fund Statement
Pensions Reserve	(41,547)	(14,946)	(56,493)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet.	Note 33 page 30
Housing Revenue Account	6,081	8	6,089	Resources available to meet future running costs for council houses.	Statement of movement on Housing Revenue Account Balance
Deferred capital receipts	1,258	78	1,336	Capital resources that should be received in subsequent periods.	Note 30 page 29
Earmarked Reserves	9,291	138	9,429	Additional reserves allocated for specific purposes.	Note 28 page 29
Financial Instruments Adjustment Account	(711)	245	(466)	Records the fair value of the deferred impairment on Financial Assets	Note 31 page 30
Accumulated Absences Account	(114)	(36)	(150)	Records the value of flexitime and leave carried forward	
Total	614,059	30,999	645,058		

36. FINANCIAL INSTRUMENTS - BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long term		Current	
	31 March 2010 £000	*31 March 2009 Restated £000*	31 March 2010 £000	*31 March 2009 Restated £000*
Financial liabilities at amortised cost	-	*-*	6,930	*11,441*
Total borrowings	-	*-*	6,930	*11,441*
Loans and receivables at amortised costs	1,848	*12,241*	44,811	*49,889*
Available for Sale	-	*-*	2,000	*-*
Total investments	1,848	*12,241*	46,811	*49,889*

The item included under Available for Sale in the financial instruments balances table above is not included within the short term investments on the balance sheet. The £2m relates to an investment made to a Money Market Fund, which needs to be reported under Available for Sale within the financial instruments balances, but is found within the Cash at Bank and in hand on the balance sheet. The SORP requires an Available for Sale Financial Instruments Reserve Account to record any unrealised gains or losses from holding available for sale investment. However, as this is a Money Market Fund which has a constant net asset value, this means that each £1 you put in buys 1 unit, which is re-priced back to £1 at the end of each day. All gains are realised and credited to the Income and Expenditure account.

37. FINANCIAL INSTRUMENTS - FAIR VALUE

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, i.e. the aggregate of principal and accrued interest. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. The fair value has been calculated based on equivalent swap rates at the balance sheet date. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council had £5,579,000 (£15,549,000 in 2008/09) invested in UK banks for a period in excess of one year. However, on the 12 May 2010, the long term loan was repaid early by the counterparty and therefore the loan and interest has been included within the current investments on the Balance Sheet. The fair value of these assets at 31 March 2010 is £6,254,000 (£16,210,000 in 2008/09). The fair value of short term investments, trade debtors and creditors is assessed to be in line with their carrying value.

The fair value for the long term investment at the balance sheet date is higher than the carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

38. FINANCIAL INSTRUMENTS - GAINS AND LOSSES

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities:		Financial Assets:	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Interest expense	-	-	-	-
Impairment losses	-	-	155	*(794)*
Interest payable and similar charges	-	-	155	*(794)*
Interest income	-	-	1,183	*3,600*
Interest and investment income	-	-	1,183	*3,600*
Amounts recycled to the I&E account after impairment	-	-	-	-
Surplus/deficit arising on revaluation of financial assets	-	-	-	-
Net gain/(loss) for the year	-	-	1,338	*2,806*

39. FINANCIAL INSTRUMENTS - RISKS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with the Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2009/10 this was agreed at Full Council on 17 February 2009). The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk - the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Credit Risk

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

Notes to the Core Financial Statements

This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Council's maximum exposure to credit risk, based on an assessment of default experience by the credit rating agencies and the Council's experience of debt collection levels.

	Amount at 31 March 2010 £000	Historical Experience of default %	Default risk judged as at 31 March 2010 %	Estimated maximum default £000
Investments in banks and building societies (original term up to 1 year)				
AA rated counterparties	20,000	0.04	0.04	8
A rated counterparties	12,000	0.10	0.10	12
Unrated counterparties	1,622	26.39	23.12	375
	33,622			395
Cash at banks				
AAA rated counterparties	2,000	-	-	-
A rated counterparty	7,187	0.10	0.10	7
	9,187			7
Accrued interest on investments	679	0.07	0.07	0
Sundry debtors	4,070	39.94	39.94	1,626
Housing arrears	885	67.96	67.96	601
Local taxation debtors	2,216	29.53	29.53	654
Total	50,659			3,284

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. The latest report issued by the administrators Ernst and Young, dated 28 January 2010 outlined that the return to creditors was projected to be 85p in the £ by end of 2012 (was projected to be 80p in the £ as at 31 March 2009). The Council has therefore decided to recognise an impairment based on it recovering 85p in the £. During the year the Council have received dividends of 34.98% (£878,091) against a projected 15%. The impact of the prinicpal invested has been mitigated in the accounts according to government regulations, although all investment income from the date of administration has been fully impaired. In calculating the impairment the Council has followed CIPFA's LAAP Bulletin 82 update No. 2 which was issued in May 2010 anticipating winding up the bank by 2012. For this reason, the timing of recoveries is as follows:

	£
During 2010/11 - 20%	502,074
During 2011/12 - 20%	502,074
During 2012/13 - 10%	251,037

The investments and accrued interest are not yet due for repayment. The sundry debtors figure of £4.070m contains £2.909m of invoiced debtors. The Council allows thirty days' credit for its invoiced debtors, meaning that £1.377m of these debtors are judged to be overdue. These can be analysed by age as follows:

	£000
31 to 60 days	210.26
61 to 180 days	103.01
6 to 12 months	101.85
Over one year old	962.31
Total	1,377.43

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

Liquidity Risk

The Council intends to remain debt-free for the foreseeable future. However, if the need arises, the Council has access to the money markets for short-term debt to cover revenue expenditure, and to the PWLB for longer term borrowing. The Council's short and medium term cash flow forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure.

Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures cover the short and medium term cash needs, the risk in the longer term relates to the danger of having to replace a maturing long term investment at disadvantageous rates. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is the key factor limiting this risk.

All trade creditors and debtors are due to be settled within one year. The long-term debtors comprise amounts owed by central Government, transferred debt owed by two local authorities and payments due under Council mortgages. These are considered to be low-risk payments, as central Government and local authorities are traditionally accorded low risk of default on payments, while the mortgages are secured by first charges on the proceeds of the sale of the property concerned.

Market Risk

Interest Rate Risk - The Council is exposed to interest rate movements on its investments, and has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. As part of this strategy, the Council sets the prudential indicators which provides maximum and minimum limits for fixed and variable interest rate exposure.

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

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

40. RECONCILIATION OF REVENUE ACTIVITIES CASH FLOW TO INCOME & EXPENDITURE ACCOUNT

	2009/10 £000	*2008/09 £000 Restated*
I & E Account deficit for the year	3,852	*40,424*
Reversal of Depreciation	(9,432)	*(10,912)*
Impairment of Fixed Assets	(33)	*(32,049)*
Impairment of Investments	245	*(711)*
Net gain/(loss) on disposal of fixed assets	488	*301*
Grants Released	219	*171*
Bad and Doubtful debt provision	(271)	*345*
Revenue Pension related items	(1,153)	*(1,165)*
Debenture reserve transfer		
(Decrease)/Increase in Stocks	(84)	*(9)*
(Decrease)/Increase in Revenue Debtors	8,634	*(2,861)*
Decrease/(Increase) in Revenue Creditors	2,578	*1,286*
Financing Items	1,489	*3,333*
Cash surplus from Collection Fund	(2,008)	*(3,677)*
Items not included in Revenue Activities for Cash Flow	32	*(61)*
Net Cash Flow from Revenue Activities	4,556	*(5,585)*

41. ANALYSIS OF GOVERNMENT GRANTS

	2009/10 £000	*2008/09 £000 Restated*
Revenue Grants		
DCLG Subsidy	442	*703*
Other	840	*874*
Total Revenue	1,282	*1,577*
Capital Grants		
Planning Delivery Grant	-	*31*
Lottery Grants	102	*58*
Others	14	*19*
Total Capital	116	*108*

42. RECONCILIATION OF LIQUID RESOURCES TO TEMPORARY INVESTMENTS

	2009/10 £000	*2008/09 £000*
Temporary Investments as at 1 April	46,500	*47,250*
Net Movement in Liquid Resources	(13,878)	*(750)*
	32,622	*46,500*

43. MOVEMENT IN CASH AND CASH EQUIVALENTS

	1 April 2009 £000	31 March 2010 £000	2009/10 Difference £000	*2008/09 Difference £000*
Cash in Hand	81		(81)	*(113)*
Cash at Bank	1,259	10,505	9,246	*(922)*
Bank Overdraft	-	(1,314)	(1,314)	*188*
Total Cash and Cash Equivalents	1,340	9,191	7,851	*(847)*

44. CONTINGENT LIABILITIES

The Council is currently in negotiations with a mobile phone company about the erection of a mast in the district. A number of different outcomes are possible, ranging from no further expense being incurred to the Council being required to compensate either the phone company or residents who live in close proximity to the mast. Even if compensation is ultimately payable it is felt unlikely that this will exceed £100,000.

During the 2007/08 year the Council was party to the Essex Countywide Concessionary Travel scheme. This scheme provided free local off peak travel to those eligible. The scheme was coordinated and managed by Essex County Council on behalf of 12 local authorities, and it was responsible for ensuring that participating operators were properly reimbursed for revenue foregone as a result of free travel within the scheme. Recently, two bus operators have been given leave by the High Court to lodge a judicial review of the Department of Transports decision in respect of their cases for re-imbursement under the scheme for the 2007/08 financial year.

There is a conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over the application of charges for some information provided as part of the land search. The issue remains unresolved and at the time of preparing the accounts , it is not known whether any of the charges previously levied may have to be challenged. It is not possible to quantity any costs which might have to be met from the Council`s General Fund Balance.

It is possible that a payment of up to £60,000 may be necessary to the County Council relating to highways work in the vicinity of Bobbingwoth Tip as a result of the Capital Scheme recently carried out there. It has yet to be established to what extent, if any, works will be necessary, however it is thought unlikely that the eventual outcome will exceed a payment of £50,000.

45. CAPITAL COMMITMENTS

There are no contracts where there remains a significant outstanding capital commitments at 31 March 2010.

46. CONTINGENT GAINS

The Council has a claim for VAT with HM Revenue and Customs 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 £455,198.15, with a further claim of £1,297,606.22 going back to January 1990. A stand over application is currently with the VAT and Duties Tribunal pending the judgement of the European Court of Justice in the case of the Isle of Wight Council and others.

47. POST BALANCE SHEET EVENTS

There were no Post Balance Sheet Events.

48. DATE OF AUTHORISATION

The accounts were approved by Council on 29 June 2010 and authorised for issue by the Director of Finance and ICT on 29 June 2010, up to which date events after the balance sheet date have been considered.

THE HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT

	Note	2009/10 £000	*2008/09 £000*
INCOME			
Dwelling Rents (Gross)	3	25,145	*24,473*
Non Dwelling Rents		2,444	*2,485*
Charges for Services and Facilities		1,934	*1,692*
Leaseholder Contributions		103	*131*
TOTAL INCOME		29,626	*28,781*
EXPENDITURE			
Repairs and maintenance	4	5,478	*5,676*
Supervision and Management		6,421	*6,801*
Rents, Rates, Taxes and Insurance		413	*462*
Housing Revenue Account Subsidy Payable	5	9,751	*10,917*
Revenue Expenditure funded from Capital under Statute	11	103	*131*
Depreciation	2/9/10	7,776	*9,313*
Impairment of Fixed Assets	1	33	*28,138*
Debt Management		40	*48*
Provision for Bad / Doubtful Debts		72	*54*
Non distributed costs		-	*8*
TOTAL EXPENDITURE		30,087	*61,548*
NET COST OF SERVICES INCLUDED IN THE WHOLE AUTHORITY INCOME & EXPENDITURE ACCOUNT		461	*32,767*
HRA services share of Corporate & Democratic Core		614	*575*
HRA share of other services		46	*27*
NET COST OF HRA SERVICES		1,121	*33,369*
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT		1,121	*33,369*
Gain on HRA Fixed Assets		(317)	*(301)*
Interest and Investment Income		(755)	*(2,083)*
Pensions Interest/Return on Assets		1,034	*723*
DEFICIT FOR YEAR		1,083	*31,708*

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

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

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

	Note	2009/10 £000	2008/09 £000
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
Deficit for the year on the Housing Revenue Account Income and Expenditure Account		1,083	31,708
Net additional amount required by statute to be debited or (credited) to the Housing Revenue Account balance for the year	12	(1,091)	(31,588)
(Increase) or decrease in the Housing Revenue Account balance		(8)	120
Housing Revenue Account surplus brought forward		(6,081)	(6,201)
Housing Revenue Account surplus carried forward		(6,089)	(6,081)

Notes to the Housing Revenue Income and Expenditure Account

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	OPERATIONAL ASSETS						NON-OPERATIONAL ASSETS	
	Land	Dwellings	Garages	Equipment	Vehicles	Other	Investment Properties	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2009	151,396	345,711	3,952	11,360	401	1,246	15,597	529,663
Reclassified	(37)	(87)	-	-	-	124	-	-
Restated	29	66	-	-	-	-	-	95
Impairment	-	-	-			(33)	-	(33)
1 April 2009	151,388	345,690	3,952	11,360	401	1,337	15,597	529,725
Revalued in year	-	-	-	-	-	-	-	-
Additions	-	6,020	2	1,952	51	270	18	8,313
Disposals	(203)	(476)	(5)	-	-	-	-	(684)
Revalued in year	14,136	33,780	280	-	-	-	-	48,196
Restated in year	-	(6,808)	(282)					(7,090)
Gross Book Value 31 March 2010	165,321	378,206	3,947	13,312	452	1,607	15,615	578,460
Depreciation 1 April 2009	-	-	-	(1,915)	(225)	(64)	-	(2,204)
Accumulated Depreciation written off	-	6,808	282	-	-	-	-	7,090
Depreciation in Year	-	(6,817)	(282)	(647)	(36)	(30)	-	(7,812)
Depreciation on Assets Sold	-	9	-	-	-	-	-	9
Depreciation 31 March 2010	-	-	-	(2,562)	(261)	(94)	-	(2,917)
Net Book Value 31 March 2010	165,321	378,206	3,947	10,750	191	1,513	15,615	575,543
Net Book Value 31 March 2009	*151,396*	*345,711*	*3,952*	*9,445*	*176*	*1,182*	*15,597*	*527,459*

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 £1,151,528,000. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

The Council was responsible for managing on average 6,588 (6,596 in 2008/09) dwellings during 2009/10. Changes in the stock are summarised below. The figures include 49 units for the homeless at Norway House, North Weald, and 6 wardens' and caretakers' dwellings.

Notes to the Housing Revenue Income and Expenditure Account

		2009/10	2008/09
Stock as at 1 April		6,592	*6,599*
Less	Sales	(9)	*(7)*
	Stock Transfers / Conversions	-	-
Add	New / Reinstated Properties	1	-
Stock as at 31 March		6,584	*6,592*
Number of:			
Houses and Bungalows		3,530	*3,537*
Flats and Maisonettes		3,044	*3,045*
Other		10	*10*

3. GROSS DWELLING RENT INCOME

During 2009/10 0.82% (0.85% in 2008/09) of all lettable dwellings were vacant. Average rents were £74.81 per week, an increase of £2.18 or 3.00% over the previous year. 55% (53% in 2008/09) of all Council tenants received some help through rent rebates in 2009/10. Rent arrears increased to £884,619 (£850,419 in 2008/09), which represents 3.5% (3.5% in 2008/09) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £601,000 (£575,000 in 2008/09). Amounts written off during the year totalled £46,331 (£68,806 in 2008/09). 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:

	2009/10		*2008/09*	
	£000	£000	*£000*	*£000*
Balance as at 1 April		(4,035)		*(3,708)*
Contribution from the HRA	(5,600)		(5,970)	
Other Income	(82)		(80)	
Total Income		(5,682)		*(6,050)*
Responsive & Void Repairs	3,187		*3,448*	
Planned Maintenance	2,194		*2,081*	
Other	179		*194*	
		5,560		5,723
Balance as at 31 March		(4,157)		*(4,035)*

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 page 21).

Notes to the Housing Revenue Income and Expenditure Account

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 (2008/09).

	2009/10		*2008/09*	
	£000	£000	*£000*	*£000*
Management and Maintenance Allowance		10,709		*10,329*
Major Repairs Allowance		4,778		*4,618*
Less				
Notional Rents	(24,911)		*(24,781)*	
Interest on Receipts	(327)		*(1,008)*	
		(25,238)		*(25,789)*
Adjustment relating to previous year		-		*(75)*
Total (Payable)		(9,751)		*(10,917)*

6. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the 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.

In order to continue to fund the increased employers contributions as a result of the 2007 triennial valuation, a capitalisation direction was applied for in 2009/10 to the value of £946,416. The Housing Revenue Account share of this contributions was £302,096, representing 31.92% of the total. The direction issued by the Department for Communities and Local Government was for the full amount applied for.

7. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £1,064,000 in respect of Housing Revenue Account capital receipts during 2009/10. This arose as a result of the sale of council houses (£1,030,000), and principal repayments on mortgages (£34,000). Of this the Council used £38,000 for the administration of the sales which left £266,000 to fund capital projects and had to pay the central government pool an amount of £761,000, which includes an adjustment of £1,000 relating to 2008/09.

8. CAPITAL EXPENDITURE

The Housing Revenue Account incurred the following capital expenditure. (See also note 12 of the Notes to the Core Financial Statements).

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	6,023	Capital Receipts	0
Plant and Equipment	1,952	Government Grants	130
Shopping Parades	17	Revenue	2,145
Vehicles	51	Major Repairs Reserve	5,967
Other	270	Other Contributions	71
	8,313		8,313

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, page 49), 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:

	2009/10		*2008/09*	
	£000	£000	*£000*	*£000*
Balance as at 1 April		(6,919)		*(7,290)*
Depreciation transferred from the HRA		(7,775)		*(9,313)*
Used to fund Capital Expenditure on Council Dwellings	5,967		*4,989*	
Transferred to the HRA	2,997		*4,695*	
Total Expenditure		8,964		*9,684*
Balance as at 31 March		(5,730)		*(6,919)*

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 1, page 47)

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

A charge of £103,000 (£131,000 in 2008/09) was made in respect of revenue expenditure funded from capital under statute. This related to recharges to leaseholders for repairs.

Notes to the Housing Revenue Income and Expenditure Account

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

		2009/10 £000			*2008/09* *£000*	
AMOUNTS TO BE EXCLUDED						
Transfer from Major Repairs Reserve and other depreciation reversals and impairments		(3,066)			*(32,866)*	
Revenue expenditure funded from Capital under statute		(103)			*(131)*	
Gain/(loss) on disposal of HRA fixed assets		317			*301*	
Transfer from Reserves		0			*(96)*	
Flexi / Leave Accruals		1			*(33)*	
Grants released		29			*15*	
Transfer to Housing Repairs Fund		122			*327*	
HRA share of contributions to/ (from) pensions reserve		(1,573)			*(1,536)*	
			(4,273)			*(34,019)*
AMOUNTS TO BE INCLUDED						
Leaseholder Contributions		103			*131*	
Employers contributions payable to the pension fund	1,236			*1,158*		
Less Capital direction received	(302)			*(310)*		
		934			*848*	
Capital expenditure funded by the HRA		2,145			*1,452*	
			3,182			*2,431*
			(1,091)			*(31,588)*

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

INCOME	Note	2009/10 £000	*2008/09 £000*
Council Tax	1	79,422	*77,492*
Non Domestic Rates	2	30,286	*29,299*
TOTAL INCOME		109,708	*106,791*
EXPENDITURE			
Precepts and Demands:			
Essex County Council		57,782	*56,535*
Essex Police		6,948	*6,602*
Essex Fire Authority		3,501	*3,364*
Epping Forest District Council		10,885	*10,555*
Distribution of Estimated Collection Fund Surplus/(Deficit).	3		
Essex County Council		(210)	*(63)*
Essex Police		(25)	*(10)*
Essex Fire Authority		(12)	*(2)*
Epping Forest District Council		-	*48*
Non Domestic Rate			
Payment to National Pool		30,113	*29,129*
Cost of Collection Allowance		173	*170*
Provision for Non Payment of Council Tax		313	*231*
Council Tax Write Offs		280	*292*
TOTAL EXPENDITURE		109,748	*106,851*
DEFICIT / (SURPLUS) FOR YEAR		40	*60*
BALANCE BROUGHT FORWARD		24	*(36)*
BALANCE CARRIED FORWARD		64	*24*

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: (54178.8 for 2009/10). The basic amount of Council Tax for a Band D property (£1,405.98 for 2009/10, £1,374.12 for 2008/09) 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	3	3	0.56	1
Band A	1,492	1,271	0.67	847
Band B	4,554	3,779	0.78	2,939
Band C	10,870	9,676	0.89	8,601
Band D	13,315	12,285	1.00	12,285
Band E	8,954	8,372	1.22	10,232
Band F	6,431	6,082	1.44	8,785
Band G	5,653	5,417	1.67	9,028
Band H	1,034	1,003	2.00	2,006
Total Band D				54,726
Less Adjustment for Collection Rate				547
Council Tax Base				54,179

The income of £79,422,101.85 for 2009/10 (£77,492,153 for 2008/09) is receivable from the following sources.

	2009/10 £000	2008/09 £000
Billed to Council tax payers	70,343	69,336
Council Tax Benefits	9,079	8,156
	79,422	77,492

Notes to the Collection Fund

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48.5p (small business) and 48.1p (others) in 2009/10 (45.8p (small business) 46.2p (others) in 2008/09) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

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

The total non-domestic rateable value at the year-end was £73,739,694 (£72,919,599 in 2008/09). 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 2009/10 a total surplus of £4.00 was distributed, of which this Council's share was £0.

Annual Governance Statement

This statement is to be presented to a subsequent Council meeting

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

I confirm that these accounts were approved by the Council at the meeting held on 29 June 2010

COUNCILLOR GRIGG
CHAIRMAN OF THE COUNCIL

June 29, 2010

THE DIRECTOR OF FINANCE AND ICT'S RESPONSIBILITIES

The Director of Finance and ICT 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 United Kingdom ('the Code of Practice')

In preparing this Statement of Accounts, the Director of Finance and ICT 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 Director of Finance and ICT 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 54 present fairly the financial position of the Council as at 31 March 2010 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
DIRECTOR OF FINANCE AND ICT

June 29 2010

Report of Auditors

This statement is to be presented to a subsequent Council meeting

Members Allowances

The allowances of £304,394 listed below include the connect scheme, travel and subsistence and employers national insurance and pension costs. The figures also include allowances paid to lay members of the Audit & Governance Committee and the Standards Committee.

		£		£
D.R.BATEMAN		1,450	K.S.CHANA	3,400
A.HAIGH		3,400	H.HARDING	3,643
R.H.MORGAN		7,386	S.I.CLAPP	3,150
D.JACKMAN		829	A.M.COOPER	3,775
P.SMITH	CHAIRMAN	11,117	R.FRANKEL	3,400
D.J.STALLAN		10,229	R.LAW	3,400
D.J.JACOBS		6,004	G.MOHINDRA	3,400
A.G.GRIGG	VICE CHAIRMAN	6,846	P.J.SPENCER	3,553
S.W.MURRAY		5,300	P.TURPIN	3,400
M.A.PEDDLE(Nee Rickman)		500	L.A.WAGLAND	5,569
J.M.WHITEHOUSE		3,400	J.A.WYATT	6,102
M.A.MCEWEN		6,080	G.PRITCHARD	3,710
J.KNAPMAN		4,902	B.A.ROLFE	8,587
C.L.WHITBREAD		10,210	R.BASSETT	10,826
J.WHITEHOUSE		3,437	A.WATTS	3,400
P.C.BROOKS		3,400	H.ULKUN	3,400
U.M.GADSBY		3,612	E.A.WEBSTER(SPINKS)	3,400
P.GODE		3,400	M.WRIGHT	500
M.SARTIN		10,210	R.E.BROOKES	3,400
M.M.COHEN		10,210	R.BARRETT	3,150
J.M.HART		5,787	A.L.BOYCE	3,842
A.CLARKE		3,131	R.COHEN	3,400
R.D'SOUZA		128	J.F.COLLIER	3,400
D.M.COLLINS	LEADER	19,093	D.P.DODEJA	3,668
J.LEA		3,400	J.PHILIP	3,588
A.LION		2,102	W.J.PRYOR	3,400
P.RICHARDSON		3,943	J.M.SUTCLIFFE	3,400
C.EDWARDS		1,275	D.J.WIXLEY	3,622
A.G.GREEN		5,602	S.A.LYE	500
M.H.COLLING		5,787	M.E.MARSHALL	1,000
J.A.MARKHAM		3,150	R.THOMPSON	500
C.P.POND		4,629		
B.P.SANDLER		5,787		
S.A.STAVROU		10,903		
K.ANGOLD-STEPHENS		3,770		
G.WELTCH		500		
Total		190,909	Total	113,485
			GRAND TOTAL	304,394

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 to and not merely maintains the value of an existing asset.

CAPITAL ADJUSTMENT ACCOUNT

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

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.

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 any such amounts would not be significant.

CONTINGENT GAINS

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

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose nominated bodies managing the same services.

INTANGIBLE ASSETS

Expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council.

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE

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

Glossary of Terms

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

FINANCE LEASE

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

FIXED ASSETS

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

GENERAL FUND

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

GOING CONCERN

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

Glossary of Terms

GOVERNMENT GRANTS

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

HOUSING REVENUE ACCOUNT

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

IMPAIRMENT

An impairment occurs when a fixed assets suffers a loss in value either due to a fall in market values generally, or as a result of use of the asset other than normal wear and tear.

INFRASTRUCTURE ASSETS

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

INVESTMENTS

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

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

INVESTMENT PROPERTIES

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.

Glossary of Terms

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

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

POST BALANCE SHEET EVENTS

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

PRIOR YEAR ADJUSTMENTS

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

Glossary of Terms

PROVISIONS

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

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

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

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

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

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

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

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

PRUDENCE

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

RELATED PARTIES

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

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

Examples of related parties of an authority include:

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

Examples of related parties of a pension fund include its:

Glossary of Terms

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

These lists are not intended to be comprehensive.

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

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

RELATED PARTY TRANSACTION

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

(i) the purchase, sale, lease, rental or hire of assets between related parties;
(ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
(iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(iv) the provision of services to a related party, including the provision of pension fund administration services;

(v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

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

REVALUATION RESERVE

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

STOCKS

Comprise the following categories:

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

Glossary of Pension Related Terms

ACTUARIAL GAINS AND LOSSES

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

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

(ii) the actuarial assumptions have changed

CURRENT SERVICE COST

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

CURTAILMENT

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

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

(ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

Glossary of Pension Related Terms

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.

FRS17

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (NON-PENSIONS FUND)

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

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

INVESTMENTS (PENSIONS FUND)

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

PAST SERVICE COST

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

PROJECTED UNIT METHOD

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

(i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and

(ii) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RETIREMENT BENEFITS

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

(i) an employer's decision to terminate an employee's employment before the normal retirement date, or

(ii) an employee's decision to accept redundancy in exchange for those benefits,

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

SCHEME LIABILITIES

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

SETTLEMENT

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

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

(ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and

(iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

(i) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;

(ii) for deferred pensioners, their preserved benefits, and

(iii) for pensioners, pensions to which they are entitled.

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

This page is intentionally left blank