

# ***Supplementary Committee Agenda***



**Epping Forest  
District Council**

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## ***Audit and Governance Committee Monday, 20th September, 2010***

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

**Time:** 7.00 pm

**Democratic Services:** Gary Woodhall  
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**14. AUDIT OF ACCOUNTS - ANNUAL GOVERNANCE REPORT 2009/10 (Pages 131 - 158)**

(External Auditor) International Standard on Auditing 260 requires the External Auditor to report to those charged with governance certain matters before they give an opinion on the Statutory Statement of Accounts. The External Auditor has indicated that their audit of the Council's Statutory Statement of Accounts for 2009/10 is now complete and that they wish to present their ISA260 report to this meeting (AGC-014-2010/11).

**15. STATUTORY STATEMENT OF ACCOUNTS 2009/10 (Pages 159 - 250)**

(Director of Finance & ICT) To consider the attached report (AGC-015-2010/11).

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Accountants &  
business advisers

Robert Palmer  
Director of Finance and ICT  
Epping Forest District Council  
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CM16 4BZ

Our ref: 4008927/2009-10/RSB/LJC

15 September 2010

Dear Bob

## Financial statements risks 2009/10 update

Auditing standards require that we bring to your attention any additional or special audit procedures in response to areas of "significant risk", such as a weakness in controls or areas requiring a higher degree of estimation by management.

We reported our updated risk assessment to you in the Annual Audit Plan 2009/10 issued in December 2009. We have since undertaken a more detailed assessment of risk following the completion of our interim review of financial controls, review of the finalised SORP 2009 and review of the Council's draft financial statements. This most recently updated risk assessment identified the following additional significant financial risks that we now need to notify to you:

Risk identified from planning	Planned audit response
<p><b>Preliminary analytical review:</b> There is a risk of material misstatement within the followings areas of the accounts as a result of unexpected and unsubstantiated intolerable variances being identified from our preliminary analytical review:</p> <ul style="list-style-type: none"> <li>• Benefits income and expenditure</li> <li>• Creditors</li> </ul>	<p>Benefits – The benefits reconciliation between Academy and Cedar will be reviewed at final accounts in more detail, by lowering the level at which we would select reconciling items for testing.</p> <p>Creditors – To ensure all expenditure has been recorded within expenditure and creditors, increased samples sizes will be used for our creditors cut off testing.</p>

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Our updated risk assessment also included review of risks previously reported to you and we no longer consider the following to be a significant risk:

Risk reported in the Audit Plan	Reason for removal
<b>Property management system:</b> A new property management system is being implemented during the year and there is a risk that there may be a loss of data in the transfer, leading to a material misstatement. The new system will provide the Council with a revaluation reserve on an asset by asset basis.	The property management system was not fully operational at the year end and has not been used to produce the financial statements.

The changes in the significant risks outlined above do not have a net impact on the audit fee, which therefore remains at £145,290, plus VAT, as notified to you in both the Audit Fee Letter issued in April 2009 and the Annual Audit Plan issued in December 2009.

If you or the members of the Audit & Governance Committee have any questions about the content of this letter, please do not hesitate to contact me on 020 7065 0497 or Lisa Clampin on 01473 320716.

Kind regards  
Yours sincerely



**Richard Bint**  
Partner  
PKF (UK) LLP

cc. Councillor Andrew Green, Chair of the Audit & Governance Committee



Accountants &  
business advisers

# **Epping Forest District Council**

## **Annual Governance Report**

**2009/10**

September 2010

**DRAFT**

## Contents

1	Executive summary .....	1
2	Introduction.....	2
3	Financial statements.....	3
4	Use of resources .....	11

## Appendices

- A Action plan
- B Draft letter of representation
- C Uncorrected misstatements
- D Draft independent auditors' report

### **Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

# 1 Executive summary

- 1.1 Auditing standards require that we report to “those charged with governance” the key findings of our audit prior to issuing our opinion on the financial statements.

## Findings and conclusions

- 1.2 A summary of the audit findings and conclusions is included in the table below:

Area of audit	Findings and Conclusion
<b>Financial statements</b>	
<b>Key financial systems</b>	The <b>key financial systems are adequate as a basis for preparing the financial statements.</b> However control weaknesses were identified during the course of our work.
<b>Financial statements</b>	<p><b>A material misstatement of £25.5m was identified as a result of audit work</b> in respect of the accounting for the reversal of impairment of the Council’s housing stock. The correction of this amount impacted on the Council’s Income and Expenditure Account by £25.5m, changing the reported outturn position from a £4m deficit to a £21m surplus, but did not have an impact on the General Fund balance. This misstatement has been corrected and the Council has decided to re-present the revised financial statements for approval. Also a number of non-trivial but not material errors have been identified and corrected.</p> <p><b>Some areas of work are still outstanding at the time of drafting this report.</b> In particular, due to issues with the timely preparation of reconciliations of benefit expenditure to the financial ledger, we have not yet been able to satisfy ourselves of the material accuracy of rent allowance expenditure of £17.1m. Should the completion of our audit result in any significant issues, we will give a verbal update to the Audit and Governance Committee.</p> <p>We are satisfied that the Annual Governance Statement (AGS) is not inconsistent or misleading with other information we are aware of from our audit of the financial statements.</p> <p><b>Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified “true and fair” opinion.</b></p>
<b>Value For Money conclusion</b>	<b>We anticipate issuing an unqualified value for money conclusion.</b>

## Acknowledgement

- 1.3 We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

## 2 Introduction

- 2.1 This report summarises the results of our audit work completed to date in respect of the financial statements and arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ending 31 March 2010.
- 2.2 Our report is presented to the Members in accordance with the provisions of International Auditing Standard 260 ("ISA 260"), which requires us to report key findings from the audit to "those charged with governance", prior to issuing our opinion on the financial statements.

### Findings

- 2.3 Recommendations in response to the key findings identified by our audit of the financial statements are provided in the action plan at Appendix A. These recommendations have been discussed with appropriate officers and responses are included in the action plan. Further recommendations may result from completion of the work outstanding at the time of drafting this report, should this occur we will provide an updated Action Plan to the Audit and Governance Committee.
- 2.4 We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the accounting and control systems, but only those matters which have come to our attention as a result of the audit procedures performed. We have re-reported weaknesses already reported by Internal Audit where we consider them relevant to our responsibilities as external auditor.

### Independence

- 2.5 We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditors and that our independence declaration, included in the Audit Plan for 2009/10, has remained valid throughout the period of the audit.



## 3 Financial statements

### Requirements

- 3.1 We are required to provide an opinion on whether your financial statements give a true and fair view of your financial position and income and expenditure and whether they have been prepared properly, in accordance with appropriate legislation and relevant accounting guidance.
- 3.2 We carry out procedures designed to obtain sufficient appropriate audit evidence to determine with reasonable confidence whether the financial statements are free from material misstatement and evaluate the overall presentation in order to ascertain whether they have been prepared in accordance with relevant legislation and accounting standards.
- 3.3 We identify the principal areas of risk of material misstatement from our knowledge of the Council, of the environment in which it operates and from discussions with management. We address these risks by carrying out appropriate audit procedures.
- 3.4 We apply an appropriate level of materiality and as such the audit cannot be relied upon to identify all risks or potential and actual misstatements. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
- 3.5 We set a triviality level of £48,750 for the 2009/10 financial statements audit and have not reported to you any matters arising below this level.

### Reporting to those charged with governance

- 3.6 We are required to report to you:
- our assessment of and response to **significant risks in the financial statements**
  - qualitative aspects of **accounting practices and financial reporting**
  - **corrected and uncorrected misstatements**
  - final draft **letter of representation** to be agreed by management and those charged with governance
  - expected modifications to the **audit report**
  - material weaknesses in **accounting and internal control systems** identified during our work
  - **matters required to be reported by other auditing standards**
  - any **other audit matters of governance interest**.
- 3.7 Our comments in these areas are set out in order below.

### *Significant risks in the financial statements*

- 3.8 Auditing standards require that we bring to your attention areas that require additional or special audit procedures in response to areas of significant risk, such as a weakness in controls or areas requiring a higher degree of estimation by management.
- 3.9 We reported to you our updated risk assessment in the 2009/10 Audit Plan issued in December 2009. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the Council's draft financial statements. Our updated risk assessment was reported to you in our letter dated 15 September 2010.

3.10 The table below sets out the significant risks and other areas of audit focus identified in our original and updated risk assessment:

Risk area	Overall conclusion
<b>Significant audit risks</b>	
<b>Housing stock valuation and numbers</b>	The district valuer's report for housing was agreed through to the fixed asset note and revaluation reserve within the financial statements. There were no issues identified with the number or valuation of properties included within the financial statements.
<b>Changes in the accounting treatment within the Collection Fund</b>	The amendments the Council made within the financial statements were agreed through to the accounting treatment required under the Statement Of Recommended Practice (SORP). No issues were identified and we concluded that the agency accounting requirements of the SORP had been correctly applied in all material respects.
<b>Benefit reconciliations of income and expenditure</b>	<p>Reconciliations of income and expenditure in relation to Council Tax and Rent Rebates have been tested in greater detail to ensure the figures included within the financial statements agree through to the Academy system. No issues were identified with the reconciliations, which we concluded were materially accurate and complete.</p> <p>At the time of drafting this report the reconciliation of Rent Allowances transactions to the financial ledger had not been audited because it was received on 14 September 2010. We will give a verbal update to the Audit and Governance Committee on the audit results on 20 September 2010.</p>
<b>Creditors cut off</b>	Testing was carried out on a sample of 30 invoices either side of the year end. An error was identified with the accounting treatment of one invoice posted pre year end. As we were unable to establish that this was an isolated error an additional sample of 30 invoices was tested pre year end. We identified a further 4 invoices which were accounted for incorrectly. The absolute value of the misstatement was trivial, as was the extrapolated potential additional error, and therefore did not require adjusting.
<b>Areas of audit focus</b>	
<b>Remuneration report</b>	Testing was carried out on a sample of employees to ensure that the correct figures had been included within the new disclosure in the financial statements. No issues were identified from the testing and we concluded that remuneration disclosures were accurately stated and SORP compliant.
<b>Consideration of service concessions under IFRIC 12</b>	We considered the Council's assessment for the accounting treatment of service concessions under IFRIC 12, which concluded that there were no arrangements captured by IFRIC 12. We concurred with that assessment.
<b>Expenditure raised through manual orders</b>	At the time of drafting this report the results of our work in this area have not been finalised as we are awaiting responses to our queries on the proper quantification of the impact of a control failure, which was that some orders (excluding those in respect of the Works and Fleet departments, and those types of goods or service on the Council's exception list) had not been processed through the Marketplace system as required. A verbal update will be given to the Audit and Governance Committee on 20 September 2010.
<b>Accuracy of benefit expenditure</b>	Until the audit of the rent allowances benefit expenditure is complete, as referred to above, we are unable to conclude on the material accuracy of benefit expenditure. A verbal update will be given to the Audit and Governance Committee on 20 September 2010.

## ***Accounting practices and financial reporting***

### **Application of accounting policies**

- 3.11 The key changes introduced by the 2009 SORP were:
- the introduction of service concession arrangements under International Financial Reporting Interpretations Committee (IFRIC) 12
  - the introduction of agency accounting for the collection of council tax and national non-domestic rates (NNDR)
  - the introduction of Statutory Instrument 3322/2009 and requirement to disclose remuneration information for senior officers earning over £50,000.
- 3.12 The Council has dealt with the implementation of these changes in an appropriate manner and assisted the audit in the review of the changes required.

### **The accounts preparation process**

- 3.13 The draft financial statements were approved by Members on 29 June 2010 which was in line with the statutory deadline of 30 June 2010. As part of our planning for the audit, we prepared a detailed document request which outlined the information that we would require to complete the audit. We also met with finance staff during the audit preparation process to discuss progress with completion of the working papers.
- 3.14 The Council provided us with files of working papers and draft financial statements in electronic format for the first time this year, which was beneficial to the audit. However not all of the working papers requested were provided in time for the agreed start date of the audit, 9 August 2010, most significantly the reconciliations of housing and council tax benefit expenditure to the financial ledger and working papers that support the figures in the Cash Flow Statement.

### **Staff availability**

- 3.15 At our request we were provided with a schedule of the planned annual leave of finance staff key contacts during the audit period. However, the schedule was incomplete which led to difficulties for our planned delivery of the audit. Although every effort was made to maximise access to those key staff during the time they were available, this put pressure on the audit timetable and increased the burden on the Assistant Director of Finance, and some other staff, as audit queries were rerouted by necessity in the absence of the key contacts.

### **Adequacy of disclosures**

- 3.16 We identified a small number of departures from the expected presentation of the financial statements or where notes and other disclosures had not been presented in accordance with the SORP. These have been amended.
- 3.17 It is a requirement of the SORP that authorities disclose any related party transactions. As part of the process for identifying whether there are any relevant related party transactions that require disclosure, Members and Officers are requested to complete and sign declarations outlining any potentially relevant transactions. At the time of drafting this report one declaration had not been received from a serving Member.

### ***Corrected and uncorrected misstatements***

- 3.18 As part of our audit approach, all material balances were subject to audit testing and agreement, on a sample basis, to supporting documentation. Issues arose in respect of the following matters, which we bring to your attention:

## Corrected non-trivial misstatements

3.19 Non-trivial misstatements were identified in the following areas and corrected by the Council:

- **Fixed asset revaluation:** The Council had an upward revaluation of their fixed assets of £48.4m in the financial year which was taken to the Revaluation Reserve. A significant proportion of this (£48.2m) was in relation to Council dwellings and garages. To comply with the SORP the Council should have reversed any previous impairment of these revalued assets, which had been originally charged to the Income and Expenditure Account, back through the Income and Expenditure Account, net of the depreciation which would have been charged if the impairment had not occurred. This adjustment had not been made in the draft approved financial statements. To correct this position the Council adjusted the Revaluation Reserve by £25.5m, which is the net of the value of the previous impairment (£27.2m) and the calculated value of the depreciation that would have been charged if this impairment had not occurred (£1.7m). The other side of this entry was to reflect the reversal of the impairment in the Income and Expenditure Account, which changed the reported outturn from a £4m deficit to a £21m surplus.

Furthermore, the Council has not completely updated the spreadsheet that it maintains which records the valuation of council dwellings and garages on an asset by asset basis. This spreadsheet forms the link between the summarised Fixed Asset Register, the Valuer's report and the Revaluation Reserve. Whilst we have been able to satisfy ourselves that the values recorded in the financial statements are materially accurate (after the adjustments referred to above), failure to update the current asset values for all individual assets prevents full compliance with the SORP, which requires the Revaluation Reserve to be maintained on an asset by asset basis.

- **Debtors and creditors within financial instruments note:** The Council had not excluded all statutory debtors and creditors, for example amounts due from council tax payers, from debtors and creditors included within the financial instruments note to the accounts. The Council also included debtors net of bad debts, which is contrary to the SORP. Adjustments of £5.5m and £1.1m have been made to debtors and creditors within financial instruments respectively. The corresponding entries for 2008/09 were also restated.
- **Heritable bank impairment:** The Council have correctly calculated the most up to date position in relation to the Heritable bank impairment. However, the whole of the investment had been disclosed as a short term investment. As the impaired investment is now due back to the Council over more than one year, the invested balance should have been split between short and long term depending on when the Council are due to receive the instalments of the carrying amount. An adjustment of £673,000 was made to accurately reflect the value of the long term proportion of the invested balance receivable. A similar adjustment to disclosure for the prior year was required of £1.4m.
- **Net assets employed:** The Council had calculated cash balances for net assets employed based on the reserves available for the relevant funds. The split was not calculated correctly across all relevant expense areas, the correction of which required £333,000 to be reapportioned from the General Fund to the Housing Revenue Account within net assets employed.
- **Charitable trust fund balances:** The Council included £53,068 within creditors for amounts owed to a trust fund, for which the Council administers the bank account. This is contrary to the SORP, which requires exclusion of trust fund balances from the balance sheet, and has been corrected.

3.20 As one of the required corrections was material the Council has decided to re-present the amended financial statements for approval. We understand that this will be done by Council on 28 September.

### **Uncorrected non-trivial misstatements**

- 3.21 At the time of drafting this report there are no uncorrected non-trivial misstatements to bring to your attention, as indicated in Appendix B.
- 3.22 We will provide an update at the Audit and Governance Committee meeting should we identify any additional items during the final clearance of outstanding issues.
- 3.23 The letter of representation at Appendix C includes provision for written representation, both from the Director of Finance and ICT and on behalf of the Council, of the reason for not making amendments should any come to light during the completion of the audit.

### ***Letter of representation***

- 3.24 The draft letter of representation has been attached as Appendix C. We do not anticipate any changes being required, other than determining whether a representation will be required in respect of uncorrected misstatements, before providing our opinion on the financial statements.

### **Audit report**

- 3.25 Subject to satisfactory resolution of the following outstanding issues and final clearance of the audit, we anticipate issuing an unqualified audit opinion on the accounts:
- Receipt of two outstanding investment confirmation letters
  - Receipt and audit of working papers that support the figures in the Cash Flow Statement
  - Audit of the recently completed reconciliation, between the benefits system (Academy) and the financial ledger (Cedar) of rent allowances benefit expenditure for the year
  - Clearance of assistant manager, manager and partner review points.
- 3.26 We will provide a verbal update on these outstanding issues at the Audit and Governance Committee.

### **Accounting and internal control systems**

- 3.27 We have reviewed the key financial systems, which contribute to the preparation of materially accurate financial statements, to assess the extent to which we can place reliance on them for this purpose. In carrying out this work we consider:
- the extent to which your accounting and internal control systems are a reliable basis from which to prepare the financial statements
  - the robustness of your accounts preparation processes.
- 3.28 In assessing the reliability of systems as a basis for providing financial information that is free from material misstatement, we prepared systems notes for each financial system and we evaluated the controls within those systems, with particular focus on assessing whether the controls in place to mitigate significant risks are suitably designed and operating as intended to meet their objective.

- 3.29 Your key financial systems are:
- Main accounting
  - Cash and bank
  - Payments and creditors
  - Non-contracting income and debtors
  - Payroll and employment costs
  - Information technology
  - Council tax
  - Housing and council tax benefits
  - National Non Domestic Rates
  - Housing rents income
  - Investments and investment income

3.30 We also have a responsibility to give specific consideration to the potential risk of material misstatement of your financial statements due to fraud and error, including the risk of fraudulent financial reporting. This requires us to:

- review internal controls that are designed to prevent, or detect and correct, misstatements in the accounts
- review the arrangements for preparing the financial statements
- select and test transactions and balances, including review of significant balances against expectations and substantiate individual items
- assess the significant estimates and judgements made by officers in preparing the accounts
- consider the adequacy of presentation and disclosures included in the financial statements.

### Internal audit

3.31 The Council outsourced the audit of some of their key financial systems to Deloitte.

3.32 Where possible, we have placed reliance on Internal Audit's and Deloitte's work and thereby avoided unnecessary duplication of audit effort. To ensure this approach was valid, we have undertaken the following:

- reviewed Internal Audit's and Deloitte's working papers and reports
- considered the robustness of the key financial systems on the evidence of this work
- re-performed Internal Audit's and Deloitte's evaluation of controls and a sample of its testing of the effectiveness of controls, to ensure that its conclusions are soundly based.

3.33 We were able to place reliance on Internal Audit's and Deloitte's work for the testing of the effectiveness of specific controls.

3.34 As a result of our work, we have concluded that the key financial systems are generally adequate as a basis for preparing the financial statements. However, we would like to draw to your attention the following control failures which arose from work performed to underpin our opinion on the financial statements:

3.35 Internal control failures identified and previously reported by Internal Audit and Deloitte are as follows:

- **Creditors:** 5 out of 30 orders tested had not been processed through Marketplace, the Council's electronic ordering system. There are exceptions to certain areas for which orders through Marketplace are not required but none of the 5 orders were allowable as exceptions under the Council's agreed procedures. At the point of drafting this report we have not been able to quantify the value of orders that are being inappropriately raised outside of the Marketplace system and other control frameworks or, consequently, evaluate the resultant potential for material misstatement in the financial statements as a result. We will give a verbal update to the Audit and Governance Committee on this issue.

- **Council tax:** The Council has been unable to effectively complete monthly reconciliations of the amounts reported by the council tax revenue and the benefits modules within Academy throughout the year.
  - **Benefits:** The rent rebate, rent allowance and council tax benefit expenditure recorded within the housing and council tax benefit system (Academy) have not been reconciled to the Council's financial ledger (Cedar) during the year. Since this matter was reported to the Audit and Governance Committee in June 2010 the reconciliations have been completed, although the rent allowance reconciliation is still to be audited, as referred to previously.
  - **Benefits:** Senior benefits officers are required to perform 100% checks on claims processed by new staff and 5% checks on all daily claims processing activity. This control was not fully implemented until October 2009.
- 3.36 Other internal control failures pertinent to our audit that we wish to bring to your attention are:
- **Benefits:** Benefit claims should not be processed until the Anite@Work checklist of evidence is fully completed, to confirm that all necessary documentation has been received to support the benefit claim being made. Internal audit identified that claims can be processed without a completed checklist therefore the effectiveness of the control is reduced.
- 3.37 We will need to complete our testing of the recently received year end rent allowances reconciliation before we can conclude on the impact of the failure of this control during the year. A verbal update will be given to the Audit and Governance Committee on this matter.

### **Fraud risks**

- 3.38 The primary responsibility for ensuring that your internal control frameworks are robust enough to prevent and detect material fraud and corrupt practices lies with management and those charged with governance.
- 3.39 In order to identify the fraud risks, and the controls you have put in place to mitigate those risks, we have:
- discussed your anti fraud and corruption arrangements with officers, and those charged with governance
  - considered the extent to which the work of Internal Audit is designed to detect material misstatements in the accounts arising through fraud
  - made enquiries regarding instances of actual fraud you have brought to our attention.
- 3.40 We did not identify any significant fraud risks that affected our audit programme for the financial statements.

### ***Matters required to be reported by other auditing standards***

- 3.41 There are no other matters arising from our work that we are required by other auditing standards to bring to the attention of those charged with governance.

## Other audit matters of governance interest

### *Collection Fund creditor write back*

- 3.42 As part of the Collection Fund restatement process, the Council identified a creditor from prior years of £126,855 which is believed to have been created through small differences on refunds processed using previous revenues and benefits IT systems. The amount is believed to have accumulated over several years but because the system has now been replaced no further analysis is available of the individual transactions making up the balance. As the Council was unable to substantiate the balance, or determine the exact nature of the liability, an adjusting entry was made to reduce creditors and increase the District Development Fund (earmarked reserve) during the accounts preparation process to reverse the balance out of the financial statements.
- 3.43 It is not possible to determine, with the information currently available to us, whether the write back of this sum is appropriate. A more prudent treatment would have been to continue to hold the creditor in the balance sheet until further investigations are completed. In any event, we recommend that further investigations are carried out to see if it can be determined, with any finality, whether any individuals or other entities are owed monies. If no creditor can be identified a reasonable decision on the appropriateness of the write back should be documented.

### *Annual governance statement*

- 3.44 The Council has a responsibility to publish a Governance Statement, including the outcome of a review of its effectiveness, with its 2009/10 financial statements.
- 3.45 The initial draft of the Annual Governance Statement was not approved by the Audit and Governance Committee at its meeting of 21 June 2010. We have reviewed the revised Annual Governance Statement, received on 9 September 2010, and the supporting review of effectiveness that has been undertaken. We are satisfied that the revised Statement is not inconsistent with the evidence provided in the review of effectiveness and our knowledge of the Council.

### *International financial reporting standards*

- 3.46 International Financial Reporting Standards (IFRSs) will be adopted in local government from 2010/11 and will require transitional arrangements to be put in place by the Council. Management should prepare for the adoption of IFRSs based on the Treasury timescales and ensure that staff have sufficient knowledge of IFRSs to restate the current financial statements.
- 3.47 The Council has made some progress since the previous Audit Commission IFRS survey in November 2009 and has completed a review of all of its leases against the IFRIC 4 criteria. The Council expects that the 2009/10 accounts will be restated prior to 31 December 2010, along with production of a set of IFRS compliant skeleton accounts. A report detailing the IFRS impact and progress is due to be presented by Officers at the November Audit and Governance Committee.



## 4 Use of resources

- 4.1 We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).
- 4.2 In June 2010 the Government announced the abolition of Comprehensive Area Assessment. As a result the Audit Commission announced changes to its use of resources approach, effective immediately, which included removal of the requirement to give a score for each of the key lines of enquiry (KLOE) use of resources assessments in local government bodies. It was still necessary, however, for auditors to complete sufficient key lines of enquiry use of resources assessment work to support their statutory duty to give a value for money conclusion on the adequacy of arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.
- 4.3 In practice, much of the use of resources assessment had already been completed at the time of the announcement, in order to meet the prior deadline of submitting indicative scores to the Audit Commission by 21 April 2010. The outcome of our considerations as to whether the Council had adequate arrangements in respect of each key line of enquiry assessment criteria is set out in the table at 4.11 below.
- 4.4 Our findings in respect of the work completed to the date when the removal of the scoring of judgements was announced showed that the Council had maintained its adequate arrangements in the year in those KLOE previously assessed, with some areas of improvement evident, such as the development of a more robust strategic planning framework that demonstrates an improving integration of financial and corporate processes and strengthening its strategic approach to procurement.
- 4.5 With regard to the new assessment area of "Natural Resources" the Council's arrangements are weaker but adequate overall. The Council is endeavouring to set a clear sustainability agenda and has a partial track record in addressing environmental issues. A strategy is in place (although it does not address all elements of the organisation) supported by an understanding of impact and target setting (which is variable in detail).
- 4.6 The Council has in place a Climate Change Strategy (linked to the Safer, Cleaner, Greener initiative) but has not yet completed a Carbon Management Plan and there is no single sustainability strategy in place - the Council's use of natural resources is addressed in several strategies across individual directorates/plans. The Council is making progress against its actions in the Climate Strategy e.g. introduction of double glazing/heating system; installation of smart meters but many of these actions are work in progress.
- 4.7 Energy and fuel usage data is collected from the Council's own operations and a database of energy use for all buildings is maintained. This information is used to identify the buildings with the worst performance. There is a 5 year maintenance plan for improvement aimed at reducing electricity usage. Records of all the Council's water usage have been kept since 2003 but no in depth monitoring has been carried out to establish usage patterns. The Council signed up to the 10:10 initiative in 2010 to reduce the carbon footprint from its own activities, however, at the time of our review the baseline year for this was still being calculated.
- 4.8 A staff travel survey was undertaken in 2009 and a staff travel plan was being produced at the time of our assessment. A Green Fleet Review was carried out by the Energy Saving Trust in 2009 and a more efficient system of recording mileage and fuel use has been implemented. A staff awareness campaign was piloted but there is no evidence that this has been followed up. However, a Green Champions initiative was also created in 2008/09 and will be more fully implemented to raise staff awareness. The Council is planning to provide Staff Green Driver training to contribute to staff awareness.

- 4.9 A Green Infrastructure Working Group meets on a quarterly basis to review the responsibilities of the Council with regards to the district's natural environment. The Working Party is updating the Council's publicly available documentation on natural resources sustainability.

## Use of resources risks

- 4.10 The findings from our review of use of resources risks identified in our audit plan are summarised as follows:

Risk area	Findings and Conclusion
<b>Health inequalities follow up</b>	Epping Forest LSP (One Epping Forest) has strengthened its arrangements for tackling health inequalities. Further improvements are needed, but it has a stronger base for delivery and for having an impact on health inequalities in the future than demonstrated when we carried out our previous review.  Progress against our original recommendations and the outcomes achieved are largely assessed as "amber" (indicating reasonable progress but with more to do) or "green" (indicating strong progress with the LSP on track to fulfil the recommendation).
<b>Leadership and strategic capacity of the Council</b>	The lengthy process around the departure of a senior officer, in our view, led to the Council not making the degree of progress in its own continued improvement agenda which could otherwise have been made.

## Value for money conclusion

- 4.11 Our value for money conclusion is based on our judgements from the results of risk based audit work, as well as consideration of the processes underpinning your review of the effectiveness of your controls as described in the Annual Governance Statement. Our judgements against the value for money conclusion criteria are set out in the table below:

Value for money conclusion criteria	Yes/No
1. Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
2. Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
3. Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
4. Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Yes
5. Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Yes
6. Does the organisation promote and demonstrate the principles and values of good governance?	Yes
7. Does the organisation manage its risks and maintain a sound system of internal control?	Yes
8. Is the organisation making effective use of natural resources?	Yes

Value for money conclusion criteria	Yes/No
9. Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	Yes
10. Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	Yes

### ***Overall conclusion***

- 4.12 Our overall conclusion is that adequate arrangements are in place to secure value for money.

## Appendix A: Action Plan

(Please note this Action Plan includes some more minor issues not referred to in the main body of our report)

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p><b>Financial statements</b></p> <p>The Council has not completely updated the spreadsheet that it maintains which records the valuation of council dwellings and garages on an asset by asset basis. This spreadsheet forms the link between the summarised Fixed Asset Register, the Valuer's report and the Revaluation Reserve.</p> <p>Whilst we have been able to satisfy ourselves that the values recorded in the financial statements are materially accurate, failure to update the current asset values for all individual assets prevents full compliance with the SORP, which requires the Revaluation Reserve to be maintained on an asset by asset basis. This also increases the risk of error arising when accounting for fixed assets.</p>	<p>1. Update all of the council dwellings' and garages' asset values within the spreadsheet that supports the Fixed Asset Register and Revaluation Reserve to reflect their latest valuation.</p>	High			

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p>The Council had previously received 'on deposit' funds from housing developers of £55,027 to assist with the development of roads. The works were completed over 10 years ago and the Council has been unable to determine whether they used their own capital or the funds which had been provided.</p> <p>There is a risk that the Council are overstating creditors as they can not support figures included within creditors. It is prudent, however, to include these balances as creditors within the accounts until further investigations have been completed.</p>	<p>2. Investigate the status of the deposits in question, by tracing the accounting transactions relating to the works to which they relate, to determine the correct accounting treatment for them going forward.</p>	<p>Medium</p>			
<p>An unidentified creditor balance of £126,855 has been written back to the District Development Fund (earmarked reserve). The Council believes the balance to have accumulated over several years prior to 2009/10, before implementation of the Academy revenues and benefits system.</p> <p>It has not been possible to determine, on the basis of information currently known, whether this is appropriate accounting treatment.</p>	<p>3. Conduct further investigations to determine whether any monies are owed to individuals or other entities and, if necessary, document the Council's reasoned decision as to why the amount should be written back to revenue.</p>	<p>Medium</p>			

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p><b>Financial systems</b></p> <p>The Council has not been able to reconcile the council tax revenue and the benefits modules within the Academy system throughout the year although the year-end reconciliation has now been completed. This control is operated by Benefit Department staff.</p> <p>This control weakness increases the risk of undetected material misstatements within the financial statements.</p>	<p>4. Complete monthly reconciliations of the council tax revenue and the benefits modules of Academy, reporting any difficulties or unreconciled differences to the Director of Finance and ICT.</p>	High			
<p>The Council has not been able to reconcile the benefit expenditure reported by the Academy system to the financial ledger (Cedar) throughout the year although the year-end reconciliations have now been completed.</p> <p>This increases the risk of material misstatement of benefit expenditure within the financial statements.</p>	<p>5. Complete monthly reconciliations between the benefits system (Academy) and the financial ledger (Cedar) of benefit expenditure.</p>	High			
<p>It was identified that not all orders were being processed through Marketplace as included within the Council's Financial Regulations.</p> <p>This could result in the Council being committed to unauthorised expenditure and increases the risk of fraud on purchases.</p>	<p>6. Remind staff of their responsibility to exercise proper control over the processing of orders, by utilising the Marketplace system to raise orders for all types of goods and service that aren't included within the Council's exemption list, or subject to the separate control system operated over works and fleet orders.</p>	High			

Conclusions from work	Recommendations	Priority	Management response	Responsibility	Timing
<p>The Benefits department have not been ensuring that the Anite @ Work evidence checklist is being fully completed before awarding benefits.</p> <p>This increases the risk of inappropriate or inaccurate award of benefit.</p>	<p>7. Remind benefit processing staff of the requirement to complete the Anite @ Work checklist is before awarding benefit.</p>	Medium			
<p>A reconciliation between the housing system, OHMS, and the information system that records dwelling numbers is completed on a weekly basis but the reconciliations are not signed to evidence that these are performed by the Senior Housing Officer.</p>	<p>8. The senior housing officer should sign the reconciliations performed to evidence that she has completed them.</p>	Medium			
<p>The housing system automatically generates reminder letters but these are not retained to evidence that the letters have been sent.</p> <p>This prevents us from being able to conclude that the control is operating effectively.</p>	<p>9. Include in the Internal Audit programme observation tests of the effective operation of the reminder letter control process, to be done at random intervals throughout the year.</p>	Low			

## Appendix B: Uncorrected misstatements

The table below details the potential differences recorded during the audit that have not been adjusted for within the financial statements:

Uncorrected misstatements	Income Over/ (Under) £'000	Expenses (Over)/ Under £'000	Assets (Over)/ Under £'000	Liabilities Over/ (Under) £'000	Reserves Over/ (Under) £'000
<b>Misstatements of fact (specific misstatements)</b> None					
<b>Misstatements of subjective decisions (estimates or application of accounting policy)</b> None					
<b>Likely misstatements (extrapolation of errors)</b> None					
<b>Total net misstatements</b>					
- Net overstatement of costs					
- Net overstatement of net assets					



## Appendix C: Draft letter of representation

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

28 September 2010

Dear Sirs

### Financial statements of Epping Forest District Council for the year ended 31 March 2010

#### Representations of the Director of Finance and ICT

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010.

#### Responsibility for the financial statements

I acknowledge as the Director of Finance and ICT and s151 Officer my responsibilities for the financial statements.

#### Completeness of information

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and committee meetings (held during the year and up to the date of this letter) have been made available to you.

#### Internal control

I acknowledge my responsibility for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from misstatement, whether arising from fraud or error.

#### Fraud

I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the financial statements, nor have any allegations of fraud or suspected fraud affecting the financial statements been communicated to me by employees, former employees, councillors, regulators or others.

#### Compliance with law and regulations

I am not aware of any possible or actual instances of non-compliance with laws or regulations whose effects should be considered when preparing financial statements of the Council.

#### Transactions with related parties

I confirm that I have put in place appropriate arrangements to identify related party transactions.

I am satisfied that the disclosure in the financial statements of related party transactions is appropriate and complete and contains all the elements necessary for an understanding of the financial statements.

#### Contingent liabilities

I am not aware of any significant contingent liabilities, including pending claims, proceedings or litigation involving the Council.

### Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- |  |      |
|--|------|
| • Rate of inflation  | 3.3% |
| • Rate of increase in salaries                                       | 4.8% |
| • Rate of increase in pensions                                       | 3.3% |
| • Rate for discounting scheme liabilities                            | 5.6% |
| • Take up option to convert the annual pension into retirement grant | 50%  |

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

### Uncorrected misstatements

*[You have brought to my attention uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter. I do not wish to correct these misstatements as I consider them to be immaterial to the view given by the financial statements.]*

### Fair value measurements and disclosures

I confirm that the valuation at which land and buildings are carried in the financial statements is a reasonable approximation of their fair values, on the bases required by the Statement of Recommended Practice (SORP).

### Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto that have not already been disclosed to you. Should any material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Yours faithfully

**Bob Palmer**

**Director of Finance and ICT**

***Representations of the Council***

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements.

**Responsibility for the financial statements**

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the financial statements.

**Uncorrected misstatements**

*[We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Director of Finance and ICT for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.]*

**Annual Governance Statement**

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

**Councillor Anne Grigg**  
**Chairman of Council**

Signed on behalf of the Council

**Note: Appendix 1 referred to in this letter relates to Appendix B in this report although at the time of drafting this report there are no uncorrected misstatements to report.**

## Appendix D: Draft independent auditors' report

### Independent auditors' report to the Members of Epping Forest District Council

#### *Opinion on the accounting statements*

We have audited the accounting statements of Epping Forest District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

#### **Respective responsibilities of the Director of Finance and ICT and auditor**

The Director of Finance and ICT's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council and its income and expenditure for the year.

We review whether the Annual Governance Statement (governance statement) reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword, the Summary of Outturn and the Glossary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion the Council's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

## ***Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources***

### **Council's Responsibilities**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### **Auditors' Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, Epping Forest District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## ***Certificate***

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

**Richard Bint**  
**Partner, on behalf of PKF (UK) LLP**  
London, UK

28 September 2010

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## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference: AGC-015-2010/11.  
Date of meeting: 20 September 2010.**

**Portfolio: Finance and Economic Development.**

**Subject: Statutory Statement of Accounts 2009/10.**

**Responsible Officer: Bob Palmer (01992 564279).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

**(1) That a report be submitted to the Council recommending that the amended Annual Governance Statement and the amended Statutory Statement of Accounts for 2009/10 be adopted.**

### **Executive Summary:**

The audit of the annual Statutory Statement of Accounts has revealed some errors in the Accounts previously considered by this Committee. The errors include one item that has been classified as material. In these circumstances it is regarded as best practice to amend the Accounts and have them re-approved.

All Members of the Council will have the opportunity to debate the Accounts at Full Council on 28 September and part of that debate will be to consider the recommendation of this Committee.

### **Reasons for Proposed Decision:**

The consideration of the draft Statutory Statement of Accounts falls within the Terms of Reference of this Committee. As the draft Accounts have been amended it is appropriate for them to be re-considered by this Committee. If Members are satisfied with the content of this report and the verbal responses to any questions raised, they are requested to recommend the amended draft Accounts for adoption by Full Council on 28 September.

### **Other Options for Action:**

The Committee could decide that the Accounts should be further amended or expanded prior to them being presented to Full Council. Alternatively, the Committee could decide not to discharge this part of its terms of Reference and leave Full Council to scrutinise the amended Accounts.

### **Report:**

1. The 21 June meeting of the Committee considered the draft Statutory Statement of Accounts and recommended them to Full Council for approval. Full Council subsequently approved the Accounts and the audit of them is now nearly complete.

2. Where a material error is discovered the Director of Finance & ICT is required to report the amendment to this Committee. Only notification of material amendment is required and so whilst re-approving the Accounts is not compulsory it is regarded as best practice.

3. With the shortening of the timescale for the production of the Accounts, approval by Full Council is required by the end of June but historically had been by the end of September, there is less time for detailed checking. The size and complexity of the Accounts means it is difficult to get all disclosures and numbers exactly correct in the time available. Some of the key estimations and challenges were outlined in the report that accompanied the draft accounts at the previous meeting of this Committee.

#### Material Amendment

4. The external auditors have advised that a material error has occurred on the treatment of the increase in property values. Normally an increase in property values is accounted for by increasing the asset value in the Fixed Asset note and crediting the amount of the revaluation to the Revaluation Reserve. However, last year the fall in property values meant that an impairment charge was made to the Income and Expenditure Account and the value of Fixed Assets and the balance on the Capital Adjustment Account were reduced. Given this previous impairment, the correct treatment is to reverse the impairment by making entries in the Income and Expenditure Account and Capital Adjustment Account.

5. Correcting the material error puts an additional credit of £25.5 million to the Income and Expenditure Account. Surpluses arising on the revaluation of Fixed Assets are reversed out in the Statement of Movement on the General Fund Balance, so the General Fund Balance is unchanged at £8.3 million.

6. The valuation itself was correct and so there is no change to the value of Fixed Assets on the Balance Sheet. However, as the change in valuation was taken to the wrong reserve the balance on the Revaluation Reserve reduces by £25.5 million and the balance on the Capital Adjustment Account increases by £25.5 million.

#### Non-Trivial Amendments

7. An error was made in the financial instruments note, as some items were incorrectly included within the totals. Adjustments of £5.5m and £1.1m have been made to debtors and creditors within financial instruments respectively. As this is only a disclosure note there is no impact on the Income and Expenditure Account or the Balance Sheet.

8. Cash balances for net assets employed had been calculated based on the reserves available for the relevant funds. The split was not calculated correctly across all relevant expense areas, the correction of which required £333,000 to be reappportioned from the General Fund to the Housing Revenue Account within net assets employed. Again, as this is only a disclosure note there is no impact on the Income and Expenditure Account or the Balance Sheet.

9. Whilst the Auditors were satisfied that the Heritable bank impairment had been correctly calculated, the whole of the investment had been disclosed as a short term investment. As the investment is now due back over more than one year, the invested balance should have been split between short and long term. An adjustment of £673,000 was made to reflect the value of the long term proportion of the invested balance receivable. A similar adjustment to disclosure for the prior year was required of £1.4m.

10. The draft accounts included £53,068 within creditors for amounts owed to a trust fund, for which the Council administers the bank account. This is contrary to the Statement of Recommended Practice (SORP) which requires exclusion of trust fund balances from the Balance Sheet. This has been corrected.

11. The external auditors also raised other points relating to disclosure requirements and the Annual Governance Statement. These points are detailed in the auditors Report to Those Charged with Governance.

12. The audit of the Accounts is nearly complete and the external auditors have indicated



that they anticipate issuing an unqualified opinion on the amended Accounts before the end of September.

**Resource Implications:**

The Accounts set out the resource implications of the Authorities activities for 2009/10. The recommendation of the Accounts to Full Council does not in itself have any resource implications.

**Legal and Governance Implications:**

When the Accounts have been amended they should be re-approved, following the same process with this Committee considering them before Full Council.

**Safer, Cleaner and Greener Implications:**

There are no environmental implications.

**Consultation Undertaken:**

None.

**Background Papers:**

None.

**Impact Assessments:**

There are no equalities or risk management impacts.

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***STATEMENT OF ACCOUNTS  
2009-2010***



*Epping Forest District Council*

[www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk)



# STATUTORY STATEMENT OF ACCOUNTS 2009/10

## CONTENTS

		Page
Introduction & Explanatory Foreword	by the Director of Finance & ICT	i
The Statement of Accounting Policies	which explains the basis of the figures used in the Accounts	1
The Income and Expenditure Account	which brings together income and expenditure relating to all of the Council's activities	8
The Statement of Movement on General Fund Balance	which shows the differences between the income and expenditure and the movement on the General Fund balance	9
The Statement of Total Recognised Gains and Losses	which shows the changes in the net worth of the Council	10
The Balance Sheet	which sets out the financial position of the Council as at 31 March 2010	11
The Cash Flow Statement	which summarises the movements in assets, liabilities and capital which have taken place during the period and the resultant effect on net liquid funds	12
The Notes to the Core Financial Statements	Detailed notes to all the previous statements	14
The Housing Revenue Income and Expenditure Account	which shows income and expenditure on the provision of council housing	45
The Statement of Movement on Housing Revenue Balance	which shows the differences between the income and expenditure and the movement on the Housing Revenue Account balance	46
The Notes to Housing Revenue Income and Expenditure Account	Detailed notes to the Housing Revenue Account statements	47
The Collection Fund	which shows the income and expenditure transactions of the Council as a billing authority in relation to the collection and distribution of the council tax and non domestic rates	52
Annual Governance Statement	which outlines the contents of the Local code of Corporate Governance and the systems of internal control operating within the Council	55
The Statement of Responsibilities	which explains the various responsibilities of the Council and the Director of Finance & ICT for the Statement of Accounts	62
The Auditors Report		63
Members Allowances		65
Glossary of Terms		66

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 Accepted 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 Services 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 District Development Fund (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	-	-
<b>(Contribution to)/from Balances</b>	<b>704</b>	<b>837</b>	<b>135</b>	<b>(569)</b>	<b>(702)</b>
Opening Balances - 1/4/09	8,435	8,435	8,435	0	0
(Contribution to)/from Balances	704	837	135	(569)	(702)
<b>Closing Balances - 31/3/10</b>	<b>7,731</b>	<b>7,598</b>	<b>8,300</b>	<b>(569)</b>	<b>(702)</b>

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 (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
<b>Total Continuing Services Budget</b>	<b>18,015</b>	<b>18,148</b>	<b>17,446</b>	<b>(569)</b>	<b>(702)</b>
DDF - Expenditure	1,875	2,065	1,841	(34)	(224)
DDF - One Off Savings	(614)	(1,771)	(2,760)	(2,146)	(989)
<b>Total DDF</b>	<b>1,261</b>	<b>294</b>	<b>(919)</b>	<b>(2,180)</b>	<b>(1,213)</b>
Appropriations	(1,261)	(294)	919	(2,180)	(1,213)
<b>Net Expenditure</b>	<b>18,015</b>	<b>18,148</b>	<b>17,446</b>	<b>(569)</b>	<b>(702)</b>



## 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.

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

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.

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)
<b>Total Expenditure</b>	<b>16,697</b>	<b>14,206</b>	<b>13,222</b>	<b>(3,475)</b>	<b>(984)</b>
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
<b>Total Financing</b>	<b>16,697</b>	<b>14,206</b>	<b>13,222</b>	<b>(3,475)</b>	<b>(984)</b>

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:

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Usable Capital Receipt Balances					
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
<b>Closing Balance - 31/3/10</b>	<b>15,956</b>	<b>20,108</b>	<b>21,091</b>	<b>5,135</b>	<b>983</b>

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Major Repairs Reserve					
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
<b>Closing Balance - 31/3/10</b>	<b>4,703</b>	<b>5,194</b>	<b>5,730</b>	<b>1,027</b>	<b>536</b>

## 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<sub>2</sub> 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

		Page
1	General Principles	2
2	Accounting Concepts	2
3	Estimation	2
4	Cashflow Preparation	2
5	Group Accounts	2
6	Collection Fund	2
7	Fixed Assets	3
8	Depreciation	4
9	Intangible Assets	4
10	Capital Expenditure Charged to Revenue	5
11	Revenue Expenditure Funded from Capital Under Statute	5
12	Revaluation Reserve/Capital Adjustment Account	5
13	Investments	5
14	Stocks and Stores	5
15	Debtors and Creditors	5
16	Financial Liabilites	6
17	Capital Receipts	6
18	Government Grants and other Contributions	6
19	Cost of Support Services and Service Administration	6
20	Reserves	6
21	Pensions	6
22	Internal Interest	7
23	Contingent Gains	7
24	Contingent Liabilites	7
25	Value Added Tax	7
26	Leases	7
27	Council Tax	7
28	Non Domestic Rates	7

## 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. The 2008/09 comparatives have been restated to reflect these changes within the accounts.

## 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 Council's 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 Council's 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 & 26, 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 44)

## 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 Council's 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	Gross Expend £000	2009/10 Income £000	Net Expend £000	2008/09 Net Expend £000 <i>Restated</i>
<b>Continuing Operations</b>					
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	55,099	(25,012)	32,734
<b>NET COST OF SERVICES</b>		<b>101,168</b>	<b>106,184</b>	<b>(5,016)</b>	<b>57,011</b>
(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				(1,438)	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
<b>TOTAL NET OPERATING EXPENDITURE</b>				<b>(1,298)</b>	<b>60,564</b>
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS &amp; LOCAL TAXPAYERS</b>					
Receipts from the Collection Fund				(10,845)	(10,543)
Government Grants and Other Contributions				(1,886)	(1,414)
Distribution from the Non-Domestic Rate Pool				(7,611)	(8,183)
<b>(SURPLUS)/DEFICIT FOR YEAR</b>				<b>(21,640)</b>	<b>40,424</b>

## 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 <i>Restated</i>
<b>INCREASE IN THE GENERAL FUND BALANCE</b>			
(Surplus)/Deficit for the year on the Income and Expenditure Account		(21,640)	40,424
Net additional debits/(credits)	12	21,775	(41,397)
Deficit/(Surplus) for the year		135	(973)
General Fund Balance brought forward		(8,435)	(7,462)
<b>General Fund Balance carried forward</b>		<b>(8,300)</b>	<b>(8,435)</b>

## 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 33, 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 <i>Restated</i>
Surplus/(deficit) for the year on the Income and Expenditure Account	21,640	(40,424)
Surplus/(deficit) arising on revaluation of fixed assets	22,938	(44,630)
Actuarial gains/(losses) on pension fund assets/liabilities	(13,794)	3,034
Other gains/(losses)	215	(1,175)
<b>Total recognised gains and (losses)</b>	<b>30,999</b>	<b>(83,195)</b>



## BALANCE SHEET

	Note	31 March 2010		31 March 2009	
		£000	£000	£000	£000
<b>LONG TERM ASSETS</b>					
Fixed Assets	13		655,737		605,174
Intangible Assets	14		748		710
Long Term Investments	15		677		11,868
Long Term Debtors	16		1,844		1,792
<b>TOTAL LONG TERM ASSETS</b>			<b>659,006</b>		<b>619,544</b>
<b>Current Assets</b>					
Stocks and Work in progress	17	188		272	
Debtors and Prepayments	18	11,969		4,202	
Short Term Temporary Investments	19	35,163		45,008	
Cash at Bank and in Hand		8,505	55,825	1,340	50,822
<b>Current Liabilities</b>					
Creditors	20	(6,311)		(9,712)	
Bank Overdraft		(1,367)		0	
			(7,678)		(9,712)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>707,153</b>		<b>660,654</b>
Deferred Revenue Income	22		(526)		(536)
Pensions Liability	34		(56,493)		(41,547)
Unapplied Capital Contributions	23		(280)		(226)
Capital Grants and Contributions Deferred	24		(4,796)		(4,286)
<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>645,058</b>		<b>614,059</b>
<b>RESERVES</b>					
Revaluation Reserve	25		26,716		3,403
Capital Adjustment Account	26		623,540		596,749
Capital Receipts Reserve	27		21,091		24,319
Pensions Reserve	33		(56,493)		(41,547)
Major Repairs Reserve	9(HRA)		5,730		6,919
Earmarked Reserves	35		9,429		9,291
Revenue Balances	28		14,325		14,492
Deferred Capital Receipts	29		1,336		1,258
Financial Instruments	30		(466)		(711)
Accumulated Absences Account	31		(150)		(114)
			<b>645,058</b>		<b>614,059</b>

These Financial Statements replace the unaudited Financial Statements approved at the meeting of the Council held on 29 June 2010

ROBERT PALMER BA ACA  
DIRECTOR OF FINANCE AND ICT

September 28 2010

## THE CASH FLOW STATEMENT

		Note	31 March 2010		31 March 2009	
			£000	£000	£000	£000
					<i>Restated</i>	
<b>REVENUE ACTIVITIES</b>						
	Net Cash Flow from Revenue Activities	40		4,609		(5,585)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>						
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)
<b>CAPITAL ACTIVITIES</b>						
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			951		6,838
<b>MANAGEMENT OF LIQUID RESOURCES</b>						
	Net Increase/(Decrease) in short-term deposits			(11,878)		(750)
	Net Increase/(Decrease) in other liquid resources			2,008		3,677
	<b>Net (Increase)/Decrease in Cash</b>			<b>(5,798)</b>		<b>847</b>

## Index of Notes to the Statement of Accounts

		Page
1	Operating Leases	14
2	Member Allowances and Remuneration	15
3	Audit Fees	16
4	Agency and Contracted Services	16
5	Local Area Agreement (LAA)	16
6	Building Control Charges	18
7	Trading Operations	18
8	Government Grants and other Contributions	19
9	Exceptional Item	19
10	Minimum Revenue Provision	19
11	Related Party Transactions	19
12	Statement of Movement on General Fund Balance	21
13	Movement of Tangible Fixed Assets	22
14	Intangible Assets	24
15	Long Term Investments	24
16	Long Term Debtors	24
17	Stocks and Work in Progress	25
18	Debtors and Prepayments	25
19	Short Term Investments	25
20	Creditors	26
21	External Borrowing	26
22	Deferred Revenue Income	26
23	Unapplied Capital Contributions	27
24	Capital Grants and Contributions Deferred	27
25	Revaluation Reserve	27
26	Capital Adjustment Account	28
27	Capital Receipts Reserve	28
28	Revenue Balances	29
29	Deferred Capital Receipts	29
30	Financial Instruments Adjustment Account	29
31	Accumulated Absences Account	30
32	Analysis of Net Assets Employed	30
33	Pensions	30
34	Movement on Reserves	36
35	Earmarked Reserves	37
36	Financial Instruments Balances	38
37	Fair Value of Financial Liabilities and Assets carried at Amortised Cost	38
38	Financial Instruments Gains and Losses	39
39	Disclosure of Nature and Extent of Risks Arising from Financial Instruments	40
40	Reconciliation of Operations to Net Cash Flow	41
41	Analysis of Government Grants	41
42	Reconciliation of Liquid Resources to Temporary Investments	42
43	Movement in Cash and Cash Equivalents	42
44	Analysis of 2008/09 Restatements	42
45	Contingent Liabilities	43
46	Capital Commitments	43
47	Contingent Gains	43
48	Post Balance Sheet Events	43
49	Date of Authorisation	43

## 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
<b>Total</b>	<b>387</b>	<b>369</b>

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
<b>Total</b>	<b>224</b>

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
<b>Total Rental Receivable</b>	<b>3,987</b>	<b>4,046</b>

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
<b>Total Assets</b>	<b>37,871</b>	<b>37,608</b>

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 65.

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

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	2009/10		2008/09	
	Number of Employees	Left in Year	Number of Employees	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	
<b>Total</b>	<b>24</b>		<b>21</b>	

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		Total Remuneration excluding pension contributions		Total Remuneration including pension contributions
	(Including fees & Allowances) £	Benefits in Kind £	2009/10 £	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 in the year. However after the balance sheet date the Chief Executive left the authority and was in receipt of a compensation payment for loss of office of £73,764. The emoluments above include all taxable employee payments. Pension Contributions relate to Employer's contributions of 12.1% and the deficiency payment.

## Notes to the Core Financial Statements

2008/09

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	Pension Contributions	Total Remuneration including pension contributions
			2008/09	2008/09	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	Pension Contributions	Total Remuneration including pension contributions
			2008/09	2008/09	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	-
<b>Total</b>	<b>242</b>	<b>228</b>

The figures above include costs charged to 2009/10 relating to 2008/09 of £14,000 (2008/09 relating to 2007/08 £26,000)

### 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.

## Notes to the Core Financial Statements

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.

## Notes to the Core Financial Statements

### 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
<b>Total Expenditure</b>	<b>490</b>	<b>609</b>
Income		
Building Regulation Charges	538	566
Other Income	-	33
<b>Total Income</b>	<b>538</b>	<b>599</b>
Surplus/(Deficit) for the Year	48	(10)
Balance B/Fwd	(25)	(15)
<b>Balance C/Fwd</b>	<b>23</b>	<b>(25)</b>

### 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.

	2009/10 £000	2008/09 £000
Industrial Estates & Other		
Income	1,538	1,007
Expenditure	555	1,754
(Deficit)/Surplus	983	(747)
North Weald Centre		
Income	1,326	1,299
Expenditure	871	1,337
(Deficit)/Surplus	455	(38)
<b>Total (Deficit)/Surplus</b>	<b>1,438</b>	<b>(785)</b>



## Notes to the Core Financial Statements

### 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
<b>Total</b>	<b>1,886</b>	<b>1,414</b>

### 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 Council's 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				
Councillor Kewal Chana				
Councillor Ricki Gadsby				
Councillor Janet Hedges				
Councillor Jeanne Lea				
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				
Safer Communities Projects		28,730		24,770

## Notes to the Core Financial Statements

	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-Deputy Stephens				
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.

## Notes to the core Financial Statements

### 12. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

There are some items that appear within the Income and Expenditure Account that should not be taken into account when determining the budget requirement and 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
<b>AMOUNTS TO BE EXCLUDED</b>		
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	25,459	(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)
	16,345	(44,604)
<b>AMOUNTS TO BE INCLUDED</b>		
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
<b>TRANSFERS</b>		
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)
<b>TOTAL</b>	21,775	(41,397)

## Notes to the Core Financial Statements

### 13. MOVEMENT OF TANGIBLE FIXED ASSETS

	OPERATIONAL ASSETS					NON-OPERATIONAL ASSETS				Total
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Investment Properties	Surplus Assets	WIP Assets		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Gross Book Value 31</b>										
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	22,723	-	-	-	-	220	-	-		22,943
Impairments Reversed	25,473	-	-	-	-	19	-	-		25,492
Restated in year	(7,090)	-	-	-	-	-	-	-		(7,090)
<b>Gross Book Value 31</b>										
March 2010	547,474	41,940	20,789	16,052	2,774	37,871	715	481		668,096
<b>Depreciation</b>										
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)
<b>Net Book Value</b>										
31 March 2010	547,474	38,776	15,245	12,405	2,770	37,871	715	481		655,737
<i>Net Book Value 31 March 2009</i>	<i>501,058</i>	<i>39,168</i>	<i>12,193</i>	<i>10,922</i>	<i>2,608</i>	<i>37,608</i>	<i>715</i>	<i>902</i>		<i>605,174</i>
<b>Capital Expenditure on:</b>										
	Completed	WIP	Total				Financed by:	£000		
	£000	£000	£000							
Council Dwellings	6,022	123	6,145				Major Repairs Reserve	5,967		
Vehicles and Equipment	2,333	-	2,333				Revenue	2,145		
Plant & Equipmt 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							
<b>Total</b>	<b>11,647</b>	<b>395</b>	<b>12,042</b>					<b>12,042</b>		

## Notes to the Core Financial Statements

### 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
<b>Operational Land and Buildings</b>		
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
<b>Operational Equipment</b>		
Plant and Vehicles	86	74
<b>Investment Properties</b>		
Commercial Properties	148	148
Industrial Estates	4	4
Recreational Airfield	1	1
Surplus Land Holdings	3	3
<b>Community Assets</b>		
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)
<b>Closing Capital Financing Requirement as at 31 March</b>	<b>(784)</b>	<b>(784)</b>

## Notes to the Core Financial Statements

### 14. INTANGIBLE ASSETS

Intangible assets are identifiable assets with no physical substance which are expected to yield future economic benefits to the Council. All expenditure relates to the purchase of software licences. 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 £000	2009 £000
Balance as at 1 April	710	366
Amounts amortised to Revenue	(154)	(60)
Expenditure	192	404
<b>Balance as at 31 March</b>	<b>748</b>	<b>710</b>

### 15. LONG TERM 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 £000	2009 £000 <i>Restated</i>
Long term cash investments	673	11,420
Accrued Interest	-	444
Central Government War and Insurance Stock	4	4
<b>Total Long Term Investments</b>	<b>677</b>	<b>11,868</b>

### 16. LONG TERM DEBTORS

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

## Notes to the Core Financial Statements

### 17. STOCKS AND WORK IN PROGRESS

	31 March	
	2010 £000	2009 £000
Work in Progress	23	115
Stocks	165	157
<b>Total Stocks</b>	<b>188</b>	<b>272</b>

### 18. DEBTORS AND PREPAYMENTS

	31 March	
	2010 £000	2009 £000 <i>Restated</i>
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)
<b>Total Debtors</b>	<b>11,969</b>	<b>4,202</b>

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 <i>Restated</i>
Short term cash investments	34,483	44,369
Accrued Interest	680	639
<b>Total Short Term Investments</b>	<b>35,163</b>	<b>45,008</b>

## Notes to the Core Financial Statements

### 20. CREDITORS

	31 March	
	2010 £000	2009 £000 <i>Restated</i>
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	3,289	5,271
<b>Total Creditors</b>	<b>6,311</b>	<b>9,712</b>

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	-	-
Commutated sums arising	-	2
Amounts applied to the Income and Expenditure	(46)	(46)
Interest on Balances	36	36
<b>Total Deferred Revenue Income</b>	<b>526</b>	<b>536</b>

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.



## Notes to the Core Financial Statements

### 23. UNAPPLIED CAPITAL CONTRIBUTIONS

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

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

### 24. CAPITAL GRANTS AND CONTRIBUTIONS DEFERRED

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

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 to abate depreciation on the relevant assets.

### 25. REVALUATION RESERVE

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

	31 March	
	2010 £000	2009 £000
Balance as at 1 April	3,403	49,742
Revaluations during the year (see also note 13)	22,943	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)
<b>Balance as at 31 March</b>	<b>26,716</b>	<b>3,403</b>

## Notes to the Core Financial Statements

### 26. CAPITAL ADJUSTMENT ACCOUNT

The movements on the Capital Adjustment Account are shown below:

	31 March	
	2010 £000	2009 £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	25,459	(32,049)
<b>Balance as at 31 March</b>	<b>623,540</b>	<b>596,749</b>

### 27. CAPITAL RECEIPTS RESERVE

	31 March	
	2010 £000	2009 £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)
<b>Balance as at 31 March</b>	<b>21,091</b>	<b>24,319</b>

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

## Notes to the Core Financial Statements

### 28. 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)
<b>Total Revenue Balances</b>	<b>14,325</b>	<b>14,492</b>

### 29. DEFERRED CAPITAL RECEIPTS

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

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.

### 30. 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 £000	2009 £000
Impairment on loan	(556)	(794)
Impaired Interest for the year	90	83
	<b>(466)</b>	<b>(711)</b>

## Notes to the Core Financial Statements

### 31. 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.

### 32. 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 £000	2009 £000 <i>Restated</i>
General Fund	63,483	77,125
Trading Operations	22,414	22,189
Housing Revenue Account	559,161	514,745
<b>Total</b>	<b>645,058</b>	<b>614,059</b>

### 33. 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.

## Notes to the Core Financial Statements

	2009/10 £000	2008/09 £000
<b>Income and Expenditure Account</b>		
<b>Net Cost of Services</b>		
Current Service Cost	(1,692)	(2,518)
Curtailment Loss	(97)	(8)
<b>Net Operating Expenditure</b>		
Interest Cost	(7,205)	(7,319)
Expected Return on Assets	3,967	5,053
<b>Net charge made to the Income &amp; Expenditure Account</b>	<b>(5,027)</b>	<b>(4,792)</b>
	2009/10 £000	2008/09 £000
<b>Statement of Movement on the General Fund</b>		
<b>Balance:</b>		
Net charges made for retirement benefits in accordance with FRS17	(5,027)	(4,792)
Employers contributions payable to the pension fund	3,874	3,627
Less Capital direction received	(946)	(972)
<b>Net charge to Statement of Movement on General Fund</b>		
<b>Balance</b>	<b>(2,099)</b>	<b>(2,137)</b>

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.

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.

## Notes to the Core Financial Statements

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
<b>Net pensions liability at 31 March 2010</b>	<b>(56,493)</b>	<b>(41,547)</b>

	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	2009
	£000	£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)
<b>Fair value of the plan assets at 31 March</b>	<b>82,726</b>	<b>60,748</b>

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).

## Notes to the Core Financial Statements

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	0.00
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
<b>Total</b>	<b>82,726</b>	<b>100</b>	<b>60,748</b>	<b>100</b>

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.

## Notes to the Core Financial Statements

### 34. 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	23,313	26,716	Accumulated gains on revaluation of fixed assets after 31 March 2007	Note 25 page 27
Capital Adjustment Account	596,749	26,791	623,540	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 35 page 37
Financial Instruments Adjustment Account	(711)	245	(466)	Records the fair value of the deferred impairment on Financial Assets	Note 30 page 29
Accumulated Absences Account	(114)	(36)	(150)	Records the value of flexitime and leave carried forward	
<b>Total</b>	<b>614,059</b>	<b>30,999</b>	<b>645,058</b>		

## Notes to the Core Financial Statements

### 35. EARMARKED RESERVES

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

	Balance 1 April 2009	Net Movement in Year	Balance 31 March 2010	Purpose of Reserve
	£000	£000	£000	
Housing Repairs Reserve	4,035	122	4,157	Holds accumulated funds for repairs and cyclical maintenance to Housing Revenue Account property.
District Development Fund	3,122	919	4,041	A General Fund Reserve to fund one off projects and manage income and expenditure peaks and troughs that do not form part of ongoing income and expenditure.
Pension Deficit Reserve	1,674	(946)	728	Created from usable capital receipts and earmarked to fund employers pension contributions that could be capitalised under a capitalisation direction.
Insurance Reserve	500	(72)	428	Set up to deal with the councils insurance matters and to enable the council to retain some of the risk through increased excess levels in return for lower premiums.
Building Control	(25)	48	23	Holds the cumulative surpluses and deficits achieved from the Building Control fee earning activities of the Authority.
On Street Parking	(27)	68	41	Holds the cumulative surplus or deficit arising as a result of managing the on-street parking function on behalf of Essex County Council.
Museum Fund	6		6	Set up to enable the authority to purchase historical artefacts or works of art for the Councils Museum.
Small Loans Fund	6	(1)	5	Set up to support the Council's Home Improvement Agency to assist with funding minor works to private dwellings owned by vulnerable persons that fell outside the scope of Private Sector Grants.
<b>Total Earmarked Reserves</b>	<b>9,291</b>	<b>138</b>	<b>9,429</b>	

## Notes to the Core Financial Statements

### 36. FINANCIAL INSTRUMENTS - BALANCES

The financial instruments shown on the balance sheet are further analysed into various defined categories in the table below.

	Long term		Current	
	31 March 2010 £000	31 March 2009 <i>Restated</i> £000	31 March 2010 £000	31 March 2009 <i>Restated</i> £000
Financial liabilities at amortised cost				
Trade Creditors	-	-	5,772	8,709
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>5,772</b>	<b>8,709</b>
Loans and receivables at amortised costs				
Investments	677	11,868	33,163	45,008
Debtors	1,844	1,792	6,937	4,440
	<b>2,521</b>	<b>13,660</b>	<b>40,100</b>	<b>49,448</b>
Available for Sale	-	-	2,000	-
<b>Total financial assets</b>	<b>2,521</b>	<b>13,660</b>	<b>42,100</b>	<b>49,448</b>

The item included under Available for Sale in the financial instruments balances table above is 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. 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.

## Notes to the Core Financial Statements

### 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 emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- 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
<b>Investments in banks and building societies (over 1 year)</b>				
Unrated counterparties	673	26.39	23.12	156
	<b>673</b>			<b>156</b>
<b>Investments in banks and building societies (original term up to 1 year)</b>				
AAA rated counterparties	2,000	-	-	-
AA rated counterparties	20,000	0.04	0.04	8
A rated counterparties	12,000	0.10	0.10	12
Unrated counterparties	949	26.39	23.12	219
	<b>32,949</b>			<b>231</b>
<b>Cash at banks</b>				
A rated counterparty	7,187	0.10	0.10	7
	<b>7,187</b>			<b>7</b>
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
<b>Total</b>	<b>46,443</b>			<b>2,622</b>

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 principal 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

## Notes to the Core Financial Statements

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
<b>Total</b>	<b>1,377.43</b>

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.

## Notes to the Core Financial Statements

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

	2009/10 £000	2008/09 £000 <i>Restated</i>
I & E Account (surplus)/deficit for the year	(21,640)	40,424
Reversal of Depreciation	(9,432)	(10,912)
Impairment of Fixed Assets	25,459	(32,049)
Impairment of Investments	245	(711)
Net gain/(loss) on disposal of fixed assets	488	301
<hr/>		
Grants Released	219	171
Bad and Doubtful debt provision	(271)	345
Revenue Pension related items	(1,153)	(1,165)
Debenture reserve transfer		
<hr/>		
(Decrease)/Increase in Stocks	(84)	(9)
(Decrease)/Increase in Revenue Debtors	8,634	(2,861)
Decrease/(Increase) in Revenue Creditors	2,631	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)
<hr/>		
<b>Net Cash Flow from Revenue Activities</b>	<b>4,609</b>	<b>(5,585)</b>

### 41. ANALYSIS OF GOVERNMENT GRANTS

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



## Notes to the Core Financial Statements

### 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	(11,878)	(750)
	<b>34,622</b>	<b>46,500</b>

### 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	8,505	7,246	(922)
Bank Overdraft	-	(1,367)	(1,367)	188
<b>Total Cash and Cash Equivalents</b>	<b>1,340</b>	<b>7,138</b>	<b>5,798</b>	<b>(847)</b>

### 44. ANALYSIS OF 2008/09 RESTATEMENTS

	2008/09 Statement of Accounts £000	Council Tax £000	NNDR £000	Other £000	2008/09 comparatives in the 2009/10 Statement of Accounts
<b>Balance Sheet</b>					
Debtors	5,909	(1,060)	(647)	-	4,202
Creditors	(11,305)	1,060	647	(114)	(9,712)
<b>Net Current Assets (included on overall total)</b>	<b>(5,396)</b>	<b>-</b>	<b>-</b>	<b>(114)</b>	<b>(5,510)</b>
Collection Fund	(24)	24			-
Collection Fund Adjustment Account	-	(24)			(24)
<b>Cash Flow</b>					
Net Increase/(Decrease) in other liquid resources	-	2,446	1,231	-	3,677
Net Cash Flow from Revenue Activities	(2,455)	(2,446)	(1,231)	547	(5,585)
Net Cash Flow from Capital Activities	12,385	-	-	(5,547)	6,838
Net Increase/(Decrease) in short-term deposits	(5,750)	-	-	5,000	(750)
<b>Net increase in cash (part of overall change in cash)</b>	<b>4,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,180</b>

## Notes to the Core Financial Statements

### 45. 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 £120,000.

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 Transport's decision in respect of their cases for re-imbusement 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 quantify any costs which might have to be met from the Council's General Fund Balance.

It is possible that a payment may be necessary to the County Council relating to highways work in the vicinity of Bobbingworth 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.

### 46. CAPITAL COMMITMENTS

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

### 47. 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.

### 48. POST BALANCE SHEET EVENTS

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Essex Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

### 49. DATE OF AUTHORISATION

The accounts were approved by Council on 28 September 2010 and authorised for issue by the Director of Finance and ICT on 28 September 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
<b>INCOME</b>			
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
Impairment Reversals		25,473	-
<b>TOTAL INCOME</b>		<b>55,099</b>	<b>28,781</b>
<b>EXPENDITURE</b>			
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
<b>TOTAL EXPENDITURE</b>		<b>30,087</b>	<b>61,548</b>
<b>NET COST OF SERVICES INCLUDED IN THE WHOLE AUTHORITY INCOME &amp; EXPENDITURE ACCOUNT</b>		<b>(25,012)</b>	<b>32,767</b>
HRA services share of Corporate & Democratic Core		614	575
HRA share of other services		46	27
<b>NET COST OF HRA SERVICES</b>		<b>(24,352)</b>	<b>33,369</b>
<b>HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>		<b>(24,352)</b>	<b>33,369</b>
Gain on HRA Fixed Assets		(317)	(301)
Interest and Investment Income		(755)	(2,083)
Pensions Interest/Return on Assets		1,034	723
<b>(SURPLUS)/DEFICIT FOR YEAR</b>		<b>(24,390)</b>	<b>31,708</b>

## 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
<b>INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE</b>			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Account		(24,390)	31,708
Net additional amount required by statute to be debited or (credited) to the Housing Revenue Account balance for the year	12	24,382	(31,588)
<b>(Increase) or decrease in the Housing Revenue Account balance</b>		<b>(8)</b>	<b>120</b>
Housing Revenue Account surplus brought forward		(6,081)	(6,201)
<b>Housing Revenue Account surplus carried forward</b>		<b>(6,089)</b>	<b>(6,081)</b>

# 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	Total £000
	Land £000	Dwellings £000	Garages £000	Equipment £000	Vehicles £000	Other £000	Investment Properties £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)
<b>1 April 2009</b>	<b>151,388</b>	<b>345,690</b>	<b>3,952</b>	<b>11,360</b>	<b>401</b>	<b>1,337</b>	<b>15,597</b>	<b>529,725</b>
Revalued in year	6,245	16,254	224	-	-	-	-	22,723
Additions	-	6,020	2	1,952	51	270	18	8,313
Disposals	(203)	(476)	(5)	-	-	-	-	(684)
Impairment reversal	7,891	17,526	56	-	-	-	-	25,473
Restated in year	-	(6,808)	(282)	-	-	-	-	(7,090)
<b>Gross Book Value 31</b>								
<b>March 2010</b>	<b>165,321</b>	<b>378,206</b>	<b>3,947</b>	<b>13,312</b>	<b>452</b>	<b>1,607</b>	<b>15,615</b>	<b>578,460</b>
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
<b>Depreciation</b>								
<b>31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,562)</b>	<b>(261)</b>	<b>(94)</b>	<b>-</b>	<b>(2,917)</b>
<b>Net Book Value</b>								
<b>31 March 2010</b>	<b>165,321</b>	<b>378,206</b>	<b>3,947</b>	<b>10,750</b>	<b>191</b>	<b>1,513</b>	<b>15,615</b>	<b>575,543</b>
<i>Net Book Value 31</i>								
<i>March 2009</i>	<i>151,396</i>	<i>345,711</i>	<i>3,952</i>	<i>9,445</i>	<i>176</i>	<i>1,182</i>	<i>15,597</i>	<i>527,459</i>

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.

## Notes to the Housing Revenue Income and Expenditure Account

### 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.

	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	-
<b>Stock as at 31 March</b>	<b>6,584</b>	<b>6,592</b>

Number of:	2009/10	2008/09
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)	
<b>Total Income</b>		<b>(5,682)</b>		<b>(6,050)</b>
Responsive & Void Repairs	3,187		3,448	
Planned Maintenance	2,194		2,081	
Other	179		194	
		5,560		5,723
<b>Balance as at 31 March</b>		<b>(4,157)</b>		<b>(4,035)</b>

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)
<b>Total (Payable)</b>		<b>(9,751)</b>		<b>(10,917)</b>

### 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	Government Grants	130
Plant and Equipment	1,952	Revenue	2,145
Shopping Parades	17	Major Repairs Reserve	5,967
Vehicles	51	Other Contributions	71
Other	270		
	<u>8,313</u>		<u>8,313</u>

## Notes to the Housing Revenue Income and Expenditure Account

### 9. MAJOR REPAIRS RESERVE

With effect from 1 April 2001 the Council is required to maintain a Major Repairs Reserve, to account for money received from the Government used to fund major, capital repairs to the Housing Stock. The Housing Revenue Account receives funding via its Housing Subsidy (see note 5, 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
<b>Balance as at 31 March</b>		<b>(5,730)</b>		<b>(6,919)</b>

### 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
<b>AMOUNTS TO BE EXCLUDED</b>		
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	22,407	(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)
	21,200	(34,019)
<b>AMOUNTS TO BE INCLUDED</b>		
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
<b>TOTAL</b>	<b>24,382</b>	<b>(31,588)</b>

## 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
<b>TOTAL INCOME</b>		<b>109,708</b>	<b>106,791</b>
<b>EXPENDITURE</b>			
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
<b>TOTAL EXPENDITURE</b>		<b>109,748</b>	<b>106,851</b>
<b>DEFICIT / (SURPLUS) FOR YEAR</b>		<b>40</b>	<b>60</b>
<b>BALANCE BROUGHT FORWARD</b>		<b>24</b>	<b>(36)</b>
<b>BALANCE CARRIED FORWARD</b>		<b>64</b>	<b>24</b>

# 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	0.56	2
Band A	1,641	1,271	0.67	847
Band B	4,685	3,779	0.78	2,939
Band C	11,085	9,676	0.89	8,601
Band D	13,517	12,285	1.00	12,285
Band E	9,115	8,372	1.22	10,233
Band F	6,532	6,082	1.44	8,785
Band G	5,749	5,417	1.67	9,028
Band H	1,074	1,003	2.00	2,006
<b>Total Band D</b>				<b>54,726</b>
Less Adjustment for Collection Rate				547
<b>Council Tax Base</b>				<b>54,179</b>

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
	<b>79,422</b>	<b>77,492</b>

# 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

## 1 Scope of Responsibility

- 1.1 Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In addition, the Council has a key role with respect to Community Leadership, exercising its powers under the Community Wellbeing Act 2000, facilitating effective engagement and collaborative working through the auspices of the Local Strategic Partnership.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Code of Governance, which is consistent with the principals of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website at [www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk). This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006, in relation to the publication of a Statement of Internal Control.
- 1.5 The Council's Code of Governance recognises that effective governance is achieved through the following core principles:
- (i) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
  - (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
  - (iii) promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour;
  - (iv) taking informed and transparent decisions which are subject to effective scrutiny and management of risk;
  - (v) developing the capacity and capability of Members and officers to be effective;
  - (vi) engaging with local people and other stakeholders to ensure robust public accountability.

## 2 The Purpose of the Governance Framework

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

- 2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to fully achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks and the impact should they occur and to manage them efficiently, effectively and economically.
- 2.3 A governance framework has been in place at the Council for a number of years and has been effective for the year ended 31 March 2010, and up to the date of approval of the Statement of Accounts.

### 3 The Governance Framework

- 3.1 The Council has an established Council Plan setting out its objectives, and there is an accompanying Performance Plan in which achievement of the objectives is monitored.
- 3.2 The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee. An Audit and Governance Committee provides independent assurance to the Council on risk management and internal control and the effectiveness of the arrangements the Council has for these matters.
- 3.3 The Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures, which ensure compliance with established policies, procedures, laws and regulations. A comprehensive corporate induction programme is in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. The Council's Internal Audit function has been effective in recent years and there are well established protocols for working with External Audit. The Audit Commission through its inspectorate functions also reviews compliance with policies, laws and regulations within their remit.
- 3.4 The Council's risk management arrangements are subject to regular review. Leadership to the risk management process is provided by the Director of Finance and ICT and the Portfolio Holder for Finance and Economic Development, who are the Officer and Member leads for risk management, respectively. The Council has approached embedding of risk management in accordance with best practice guidance, with a Corporate Risk Register supported by Directorate and Sectional risk registers.
- 3.5 Financial management in the Council and the reporting of financial standing is undertaken through a General Ledger Financial Information System, CEDAR, which integrates the general ledger function with those of budgetary control. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way and corrective action is initiated.
- 3.6 Performance management in the Council continues to be improved with a widely consulted upon Council Plan, setting out the Council's priorities and supported by a Performance Plan, which explains how the Council will deliver the priorities and the commitments made in the Council Plan. These Plans focus on corporate priorities and reflect the Council's determination to prioritise key Service areas. Information on performance across all National Performance Indicators is also included. The Performance Plan is also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service. Performance indicators are recorded and monitored on the 'TEN' performance management system.

### 4 Financial Management and Reporting

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

- 4.2 The External Auditor provided an unqualified opinion on the Council's accounts for 2008/09. The Auditor reported that the key financial systems had been considered adequate as a basis for preparing the financial statements and no significant control weaknesses had been identified. The Auditor had identified corrections to the financial statements, the net effect of which was not material to the financial statements.
- 4.3 Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

## 5 Standards Committee

- 5.1 During 2009/10 the Standards Committee has dealt with 10 complaints against Councillors. These mainly concern Parish and Town Councillors. At the time of writing, one is proceeding to adjudication and one other is being investigated. Demands continue to be made on key officers by the new complaints process and pressure on the Standards Committee's budget for using external investigators, where the Council's own staff cannot do so, are increasing.
- 5.2 During the year, significant work has been generated by governance dysfunction at two Parish Councils. In one case, Standards for England has issued a Direction regarding a series of training and conflict resolution measures designed to address continuing complaints. This occasioned a substantial budget increase for 2010/11, a part of the Council budget.
- 5.3 The Committee continues to give advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of Council protocols. During 2009/10 the Committee considered and issued Standards for England guidance on Predisposition, Predetermination or Bias and the Code of Conduct. The Committee submits an annual report on its activities to the Council. A further review of the Planning Protocol has been launched and will be concluded during 2010/11. Planning and Legal Officers, planning agents and Town and Parish Councils have made submissions concerning the protocol.
- 5.4 During 2008/09, the Standards Committee responded to Government consultation on a new Code of Conduct. As yet this new Code of Conduct has not been implemented by Central Government.

## 6 Review of Effectiveness

- 6.1 The Council has responsibility for conducting an annual audit review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the Corporate Governance Group, the Chief Internal Auditor's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.
- 6.2 The Council contributes to the delivery of the Sustainable Community Strategy for the District through active participation on the Local Strategic Partnership, and the alignment of the Key Themes of the Council Plan 2006/10 with the Community Strategy. This is supported by a planning framework which includes the Council Plan and Directorate/Service Plans. The Council monitors and reports on progress so that Members can see how issues are being tackled. The Council Plan is monitored by the Finance and Performance Management Scrutiny Panel and is due to be updated in 2009/10.
- 6.3 Directorate and Sectional business plans contain a variety of performance indicators and targets that are regularly reviewed.

6.4 The Council's Constitution, which includes Financial Regulations, Contract Standing Orders and Delegated Authorities, is required to be reviewed annually and this is carried out by a nominated group of officers led by the Deputy Monitoring Officer. This annual programme of reviews of Contract Standing Orders, Financial Regulations and Delegated Authorities continued as in previous years.

6.5 The Council has three statutory posts as follows:-

- Head of Paid Service - Chief Executive
- Chief Financial Officer - Director of Finance and ICT
- Monitoring Officer – Director of Corporate Support Services / Solicitor to the Council

These officers, with the Deputy Chief Executive, Deputy Monitoring Officer and Chief Internal Auditor form the Corporate Governance Group who meet monthly. The group's terms of reference: are available on the Council's web site.

6.6 The Council continues to assess how its overall corporate governance responsibilities are discharged. As referred to earlier the Council has adopted the CIPFA/SOLACE guidance and adopted a revised local Code of Governance in 2008.

6.7 The Council is required to maintain an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations. The Internal Audit function is managed by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The annual Internal Audit work plan is discussed with senior officers and approved by the Audit and Governance Committee in consultation with the Finance and Performance Management Cabinet Committee.

All internal audit reports include an assessment of the adequacy of internal control and result in prioritised action plans to address any areas needing improvement. These are submitted to Service Directors, and an executive summary is provided to the Corporate Executive Forum and the relevant Portfolio Holder.

6.8 The review of governance incorporates the system of internal control. In previous years the Council's review of the effectiveness of the system of internal control has been informed by:

- Directorate assurance based on management information, performance information and Director assurance statements;
- The work undertaken by Internal Audit during the year;
- The work undertaken by the external auditor reported in their annual audit and inspection letter and other review reports;
- Other work undertaken by independent inspection bodies.

## 7 Governance – Service Issues and Improvements

7.1. Service Directors have reviewed the governance arrangements operating within their Service Areas using a detailed checklist, and have provided assurance statements confirming their belief that appropriate controls were in place during 2009/10. Significant areas where governance arrangements have been strengthened are detailed below.

### 7.1.1. "One Epping Forest"

The Local Strategic Partnership has now been re-branded "One Epping Forest". In 2009/10 an external review of the governance arrangements and the effective performance of the Partnership was undertaken by Improvement East, which concluded that the Partnership was fit for purpose.



#### 7.1.2. Community Leadership

As a result of the Leader of Council's initiative to engage more fully with Local Secondary Schools and Epping Forest College, closer collaborative working is taking place, with the Deputy Chief Executive now a member of the Schools Area Planning Group, and the Leader Chairing the Governing Body of Epping Forest College. Improvements in overall GCSE results have been achieved alongside a much improved Ofsted Inspection of the College.

#### 7.1.3. Youth Council

After successful elections held in all the District's secondary schools, a new Youth Council was appointed in November 2009. After a period of induction and training, the new Youth Council successfully organised and ran the "Big Youth Debate" bringing young people from across the District, together with Local Members of Parliament to debate the lowering of the voting age from 18 to 16 years. This was webcast and as such, was a major initiative in the promotion of local democracy and citizenship.

Three representatives of the Youth Council attended the Parliamentary election count as observers on the night of 6/7 May at the invitation of the Returning Officer.

#### 7.1.4. A number of Internal Audit reports were issued during 2009/10 which required actions by the Corporate Support Services Directorate. Compliance with any actions required is monitored at regular meetings of the Directorate Management. The report relating to the Regulation of Investigatory Powers Act received substantial assurance

The Council's consideration of an employment contract of a senior manager led to a report by the Monitoring Officer to the Council in accordance with the powers contained in section 5 of the Local Government and Housing Act. A number of governance issues were raised in the Monitoring Officer's report.

Following that report, a Monitoring Officer protocol was requested by the Audit & Governance Committee and an initial draft was considered by the Constitution & Member Services Standing Scrutiny Panel in January 2010. It will be re-presented once the points discussed by Panel members are researched. Similar protocols covering the s151 Officer and the Head of Paid Service will also be considered at the same time.

Concerns on the handling of this issue include breaches of Contract Standing Orders and irregularities in the declaration of interests.

These events have made the relationship between some Members of Council and the Monitoring Officer more difficult. The proposed protocol is seen as a way of ensuring for the future that the role of the Monitoring Officer is more readily understood.

#### 7.1.5. A number of Internal Audit reports were issued during 2009/10 which required actions by the Environment and Street Scene Directorate. Action plans have been agreed between Internal Audit and the Directorate Management and steps are being taken to deal with the issues raised and ensure compliance.

There have also been some difficulties throughout the year involving breaches in contract standing orders, arising from the placing of multiple small value orders with a number of goods or service providers across the Directorate resulting in exceedances of the Contract Standing Orders values for quotations and tenders. Steps have been taken to ensure that orders are not placed without a complete understanding of the totality of the present position as well as developing a tender for small scale works to be issued on a cost per job or hourly rate basis.

#### 7.1.6. The review of the Finance and ICT Directorate has identified one significant weakness in control.

The Audit Commission decided that progress on improving the Benefits Service was too slow and the service was inspected during the year. The inspection report will not be released until after the election, but the CAA report issued during 2009/10 described the service as poor. Once the final report has been issued an action plan will be agreed with the inspectors.

During the first three quarters of 2008/09 there were four audits with limited assurance that related directly to the Directorate of Finance and ICT. For the same period for 2009/10 there have been no limited assurance audits and follow ups have indicated positive progress on previous recommendations.

Reports from the external auditor have commented on improved working papers and a better final accounts process during 2009/10.

- 7.1.7. A number of Internal Audit reports since the Housing Directorate has taken over responsibility for the former Building Maintenance Works Unit have highlighted internal control deficiencies within that section (now known as the Housing Repairs Service) with regard to procedures relating to the stores.

The Assistant Director (Property) has taken a number of steps to improve the position in the short term. The long term solution is through the appointment of a private repairs management contractor to manage the Housing Repairs Service, including the stores. Part of the requirements of appointment will be an improved stores function. Good progress has been made with the appointment, five contractors have been selected through a methodical Pre Qualification Questionnaire process, who will shortly be invited to tender.

- 7.1.8. Within Planning and Economic Development, 2009/10 was a difficult year for the Directorate, in particular because of the loss or absence of a number of key managerial/supervisory staff and the difficulties associated with recruiting their successors. Widespread acting-up arrangements were introduced. Workload was extensive in part because of the recession.

The staff acting-up and new staff, were given training in various formats, so that what could have been difficult and unproductive has been used to "upskill" more staff with knowledge of procedures, governance requirements and particularly, financial skills.

In quarter two, there was a follow up audit in respect of various matters in Building Control which had an overall rating of Limited assurance. When reported to the Audit and Governance Committee on 30/11/09, the committee were satisfied that all suitable actions had been taken.

## 7.2. Governance – Internal Control Issues

Other areas have been highlighted in the review of the Council's systems of internal control and are listed below. In each case the Directors responsible have identified the risk involved and prepared plans to contain the risks and deliver the necessary improvements:

- 7.2.1. The Council's assurance framework needs to demonstrate that internal controls are in place for the management of the Council's income. Internal Audit had identified weaknesses in the reconciliation process within two income systems which have been raised with management and have been addressed by the inclusion of a greater level of controls.
- 7.2.2. An internal audit identified limited assurance in the verification of audit (systems access) logs for individual systems. While the Council's systems are accessed through a secure network, individual systems are not always monitored for unauthorised access attempts. Management are reviewing the availability of logs and will identify where additional staff training is required. It should be noted that the Council's network continues to meet the standards required by Government Connect.
- 7.2.3. Within the corporate systems for processing purchase orders and invoices, there are still examples of weaknesses and departures from Contract Standing Orders, Financial Regulations and good practice. A course for managers on finance and regulatory issues is regularly held for both new staff and existing staff where the need for a refresher has been identified through audit review or as part of Performance Development Reviews.

7.2.4 Internal Audit reports continue to highlight internal control issues within the Building Maintenance Works Unit, particular concern remains with the procedures relating to stores. A full management review is in progress covering management, staffing, working practices and stores administration.

7.2.5. Two Internal Audit reports have identified areas where improvement in controls over data input and subsequent data checking to ensure good data quality is required. The findings were raised with management for action.

7.2.6 As a result of human error, personal data relating to applicants for taxi driver licences was published on the Council's website as part of the agenda for the Licensing Sub committee meeting. The following action resulted from this error:

- a) removal of the personal data from the website;
- b) disciplinary action against the member of staff concerned;
- c) re-training of staff in Licensing and Democratic Services in Data Protection Act principles;
- d) revised procedures for Licensing Sub Committee agenda;
- e) voluntary report by the Council on the circumstances surrounding this breach of the Act to the Information Commissioner; and
- f) personal and written apologies to the individuals concerned.

As a result of item e) above, the Commissioner ruled that he would not be taking any further action in this case but if the Council were found in breach of the Act at any time in the future, the current case would be taken into account.

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

Signed.....

Derek Macnab  
Acting Chief Executive

Signed.....

Councillor Di Collins  
Leader of the Council

# 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 28 September 2010

COUNCILLOR GRIGG  
CHAIRMAN OF THE COUNCIL

September 28 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

September 28 2010

# Independent auditors' report to the Members of Epping Forest District Council

## *Opinion on the accounting statements*

We have audited the accounting statements of Epping Forest District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

## *Respective responsibilities of the Director of Finance and ICT and auditor*

The Director of Finance and ICT's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council and its income and expenditure for the year.

We review whether the Annual Governance Statement (governance statement) reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword, the Summary of Outturn and the Glossary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

## *Basis of audit opinion*

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently

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

### Opinion

In our opinion the Council's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

### *Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources*

#### Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, Epping Forest District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### *Certificate*

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

Richard Bint  
Partner, on behalf of PKF (UK) LLP  
London, UK  
September 28 2010

## 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	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	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	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



# Glossary of Pension Related Terms

(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.

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