

# Committee Agenda



**Epping Forest  
District Council**

## ***Finance and Performance Management Cabinet Committee Monday, 24th September, 2007***

**Place:** Civic Offices, High Street, Epping  
**Room:** Committee Room 1  
**Time:** 7.30 pm  
**Democratic Services Officer:** Gary Woodhall, Research and Democratic Services  
Tel: 01992 564470 Email: gwoodhall@eppingforestdc.gov.uk

**Members:**

Councillors C Whitbread (Chairman), M Cohen, Mrs D Collins, Mrs A Grigg, Mrs M Sartin and D Stellan

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<p><b>PLEASE NOTE THE START TIME OF THIS MEETING</b></p>
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### **BUSINESS**

**1. APOLOGIES FOR ABSENCE**

**2. MINUTES**

To confirm the minutes of the last meeting of the Cabinet Committee held on 18 June 2007 (previously circulated).

**3. DECLARATIONS OF INTEREST**

(Head of Research and Democratic Services) To declare interests in any item on this agenda.

**4. ANY OTHER BUSINESS**

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item

raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

**5. BEST VALUE PERFORMANCE INDICATORS 2006-07 - CUSTOMER SATISFACTION SURVEYS (Pages 5 - 12)**

(Performance Improvement Manager) To consider the attached report.

**6. BUDGET 2008-09 - FINANCIAL ISSUES PAPER (Pages 13 - 26)**

(Head of Finance) To consider the attached report.

**7. RISK MANAGEMENT (Pages 27 - 28)**

(Head of Finance) To consider the attached report.

**8. AUDIT OF ACCOUNTS - INTERNATIONAL STANDARDS ON AUDITING (Pages 29 - 52)**

(Head of Finance) This report was presented to the Audit and Governance Committee meeting held on 13 September 2007, and is placed before the Cabinet Committee as an information item.

**9. MANAGEMENT REPRESENTATION LETTER (Pages 53 - 54)**

(Head of Finance) This report was presented to the Audit and Governance Committee meeting held on 13 September 2007, and is placed before the Cabinet Committee as an information item.

**10. EXCLUSION OF PUBLIC AND PRESS**

**Exclusion:** To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

<b>Agenda Item No</b>	<b>Subject</b>	<b>Exempt Information Paragraph Number</b>
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

**Confidential Items Commencement:** Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) All business of the Council requiring to be transacted in the presence of the

press and public to be completed by 10.00 p.m. at the latest.

- (2) At the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press.
- (3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

**Background Papers:** Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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## **Report to: Finance and Performance Management Cabinet Committee**



**Epping Forest  
District Council**

**Portfolio: Finance, Performance Management and Corporate Support Services.**

**Subject: Best Value Performance Indicators 2006-07 - Customer Satisfaction Surveys.**

**Officer contact for further information: Steve Tautz (01992 564180).**

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

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

#### **That the Committee note:**

- (a) the Council's results in respect of the Best Value Performance Indicator elements of the statutory General, Planning and Benefits customer satisfaction surveys for 2006-07;**
- (b) that presentations on the full results of the 2006/07 surveys will be made to members on 18 October 2007; and**
- (c) that the Council will be participating in a repeat of the General Survey during 2007/08, in order to gather interim satisfaction data and track performance.**

### **Introduction:**

1. As members may be aware, the Government introduced a number of Best Value Performance Indicators (BVPIs) in 2000 that require local authorities to survey residents and service users in relation to customer satisfaction every three years. The surveys were first carried out in 2000/01 and were repeated during 2003/04. These survey-based measures form part of the wider suite of BVPIs on which councils are statutorily required to report.

2. The surveys were further undertaken during 2006/07, in accordance with a methodology and timetable prescribed by the Department for Communities and Local Government (DCLG) and the Audit Commission. The latest round of surveys included a 'General' Survey focusing on key areas of the Council's corporate performance and issues such as the environment, waste management, and cultural and recreational services, a Planning Survey, a Benefits (Housing/Council Tax) Survey and a (Council) Tenants Survey. A random sample approach was utilised in the case of the General Survey but, for the other surveys, specific users of the respective services were surveyed, and all of the surveys were carried out by self-completion postal questionnaire. The questions for each survey were prescribed by DCLG and could not be altered but, in addition to specific BVPI reporting, the surveys also sought the views of respondents in relation to additional quality of life (General Survey) and service improvement (Planning, Benefits and Tenants Surveys) issues.

3. For the completion of the General Survey, the Planning Survey and the Benefits Survey, the Council participated in joint arrangements with each of the other borough/district/unitary councils in Essex, as it had done previously in 2000/01 and 2003/04,

in order to secure a basis for benchmarking and comparison, and to achieve economies of scale. BMG Research Limited (General Survey, Planning Survey) and QA Research Limited (Benefits Survey) were appointed to undertake the surveys through Essex County Council's procurement arrangements, following the consideration of quotations invited from a number of survey consultancies. The National Housing Federation (NHF) was appointed to undertake the Tenants Survey directly by The Head of Housing Services, as it had satisfactorily carried out this exercise in both 2000/01 and 2003/04.

4. This report is concerned with the BVPI results arising from the General, Planning and Benefits Surveys, and how these compare with the authority's results from 2003/04, with the national average for 2006/07 (where available), and with the average of the other Essex district authorities for last year. As in previous years, representatives of the research agencies that conducted the surveys on behalf of the Council have been requested to make presentations to members on the overall results of each of the surveys, including the non-BVPI elements. With the agreement of the Leader of the Council, these presentations are to be held on 18 October 2007 and all members have been invited to attend. The results of the Tenants Survey have previously been comprehensively reported by the Head of Housing Services and are not therefore included in this report. The full report and results of each survey have been published on the Council's website, and copies have been deposited in the Members' Room.

#### **General Survey:**

5. The BVPI elements of the General Survey concerned a range of high-priority issues, including corporate performance and waste management, and the survey was conducted amongst a random sample of households in the district. The Council's individual BVPI results for the General Survey, compared with its satisfaction scores for the previous survey (2003/04) and the national and Essex (district councils) averages for 2006/07, were as follows:

<b>BVPI Ref</b>	<b>2003/04</b>	<b>2006/07</b>	<b>National Average 2006/07</b>	<b>Essex District Average 2006/07</b>
BV3 - Satisfaction with the way the Council runs things	55%	52%	54%	54%
BV4 - Satisfaction with the handling of complaints	32%	38%	34%	36%
BV89 - Satisfaction with the keeping of land clear of litter and rubbish	63%	65%	68%	71%
BV90(a) - Satisfaction with the waste collection service overall	85%	67%	79%	82%
BV90(b) - Satisfaction with the provision of local waste recycling facilities	78%	73%	70%	76%
BV119(a) - Satisfaction with sports and leisure facilities and events	46%	59%	58%	61%
BV119(b) - Satisfaction with libraries	Not collected	72%	73%	79%
BV119(c) - Satisfaction with museums and galleries	22%	24%	41%	34%
BV119(d) - Satisfaction with theatres and concert halls	20%	18%	41%	35%
BV119(e) - Satisfaction with parks and open spaces	74%	76%	73%	77%

6. Whilst a majority (52%) of respondents were satisfied with the Council's overall service, it is disappointing that this proportion was lower than that achieved for the survey when it was last undertaken during 2003/04 (55%). However, this result was only slightly lower than the national and Essex district average for 2006/07 (54%), both of which also

showed a decline in overall satisfaction over the last three years.

7. The General Survey revealed that over a quarter of all respondents had contacted the Council with a complaint in the last twelve months, amongst which just over a third (38%) were satisfied with the way their complaint was handled. This represents an improvement on that achieved in 2003/04 (32%), exceeded the national (34%) and Essex district (36%) averages for 2006/07, and placed the Council in the top performing 25% of district councils in relation to satisfaction with complaint handling for this round of the survey.

8. Almost two thirds of respondents (65%) were satisfied that the Council keeps open public land that it controls clear of litter and refuse. This also represented an increase on the results for 2003/04, when 63% of respondents were satisfied with cleanliness standards, but fell below the national (68%) and Essex district (71%) averages for 2006/07.

9. In terms of overall satisfaction with household waste collection, over two thirds of respondents (67%) were satisfied with the Council's arrangements. This was significantly lower than the satisfaction rating achieved in the 2003/04 survey (85%) and the national (79%) and Essex district (82%) averages for 2006/07. Almost three quarters (73%) of respondents were satisfied with the provision of local waste recycling facilities. Whilst this level of satisfaction was down on that achieved in 2003/04 (78%), it exceeded the national average for 2006/07 (70%) but was lower than the Essex district average (76%).

10. The level of satisfaction with the Council's sports and leisure facilities increased to 59% from 46% in 2003/04. This exceeded the national average for 2006/07 (58%), but fell short of the Essex district average (61%). Notwithstanding that the Council has no responsibility for library provision, almost three-quarters (72%) of respondents are satisfied with libraries in the district, although this figure is below both the national (73%) and Essex district (79%) averages for 2006/07. With almost a quarter (24%) of respondents satisfied, the level of satisfaction with museums and galleries was higher than the previous survey (21%), but again below both the national (41%) and Essex district (34%) averages for 2006/07. The level of satisfaction with theatres and concert halls was, at 18%, also similar to that achieved in 2003/04 (20%), although once more below both the national (41%) and Essex district (35%) averages for 2006/07. A total of 76% of respondents were satisfied with parks and open spaces in the district, an increase over 2003/04 (74%) that also exceeded the national average for 2006/07 (73%), but fell just short of the Essex district average for the year (77%).

11. In addition to BVPI reporting, the General Survey also assessed satisfaction with a range of services and issues affecting local quality of life. Full results of these non-BVPI elements of the survey are set out in the report prepared by BMG Research (deposited in the Members' Room) and will be reflected in the presentation to be made to members on 18 October 2007.

### **Planning Survey:**

12. The BVPI element of the Planning Survey concerned BV111 (Satisfaction with planning services by those making a planning application). The survey was conducted amongst applicants (and agents) for planning permission in a single defined period during 2006/07 and, for the purpose of BVPI reporting, assessed customer satisfaction in relation to the way in which the Council dealt with planning applications.

13. The Council's BVPI result for the Planning Survey, compared with its satisfaction score for the previous survey (2003/04) and the Essex average for 2006/07 (district councils), is as follows. National average comparisons are not currently available for the survey.

<b>BVPI Ref</b>	<b>2003/04</b>	<b>2006/07</b>	<b>Essex District Average 2006/07</b>
BV111 - Satisfaction with planning services by those making a planning application	71%	82%	71%

14. Satisfaction with planning services has increased significantly since 2003/04, and the satisfaction rating for 2006/07 represents the highest achieved by any of the Essex authorities. The Head of Planning and Economic Development is pleased with the improvements in satisfaction demonstrated by the survey, and that efforts to improve the lowest scoring elements over the last three years seem to have proved effective in leading to significantly improved levels of satisfaction in those areas.

15. In addition to BVPI reporting, the Planning Survey also assessed applicant/agent's satisfaction with the quality of specific planning services over the twelve-month period prior to the survey, and whether service elements had improved overall since the 2003/04 survey. Full results of these non-BVPI elements of the survey are set out in the report prepared by BMG Research (deposited in the Members' Room) and will be reflected in the presentation to be made to members on 18 October 2007.

#### **Benefits Survey:**

16. The BVPI element of the Benefits Survey concerned BV80 (Satisfaction with benefits services). The survey was conducted amongst all claimants for Housing/Council Tax Benefit in two defined periods during 2006/07 and, for the purpose of BVPI reporting, assessed customer satisfaction in relation to:

- facilities to contact the benefits office;
- the experience of visiting the benefits office;
- the telephone service provided by the benefits office;
- the service provided by the staff of the benefits office;
- the clarity of Housing/Council Tax Benefit claim forms;
- the amount of time taken to determine claims; and
- the overall service received at the benefits office.

17. The Council's BVPI results for each element of the Benefits Survey, compared with its satisfaction scores for the previous survey (2003/04) and the Essex average for 2006/07 (district councils), is as follows. National average comparisons are not currently available for the survey.

<b>BVPI Ref</b>	<b>2003/04</b>	<b>2006/07</b>	<b>Essex District Average 2006/07</b>
BV80(a) - Satisfaction with facilities to contact the benefits office	74%	77%	78%
BV80(b) - Satisfaction with the experience of visiting the benefits office	75%	82%	79%
BV80(c) - Satisfaction with the telephone service provided by the benefits office	72%	75%	71%
BV80(d) - Satisfaction with the service provided by the staff of the benefits office	80%	78%	81%
BV80(e) - Satisfaction with the clarity of Housing/Council Tax Benefit claim forms	65%	62%	63%
BV80(f) - Satisfaction with the amount of time taken to determine claims	74%	69%	71%
BV80(g) - Overall satisfaction with the service received at the benefits office	81%	77%	78%

18. In addition to BVPI reporting, the Benefits Survey also assessed the elements of the current Housing/Council Tax Benefit claim process that respondents felt were most in need of



improvement. Full results of this non-BVPI element of the survey are set out in the report prepared by QA Research (deposited in the Members' Room) and will be reflected in the presentation to be made to members on 18 October 2007.

### **Conclusions:**

19. Although it is welcome that the recent surveys have revealed that satisfaction levels have increased or been maintained in a majority of areas, it should be emphasised that the results reflect respondents' views of the quality of services provided by the Council at the time the surveys were undertaken, and that satisfaction can be adversely affected by negative publicity and perception in relation to both local and national issues. Over the last year the Council has been subject to such negative publicity in relation to several high profile waste management and planning issues, and it is therefore encouraging that, in a number of instances, the authority's actual performance is much better than the satisfaction levels revealed by the surveys indicate.

20. Although the most significant deterioration in satisfaction over the last three years has been in relation to the authority's waste management service, the General Survey was carried out during late 2006 when household waste collections had reverted to an alternate weekly system in place of the weekly collections that had operated throughout last Summer, and it is believed that this might have had a negative impact on satisfaction levels. Although local authorities across the country have witnessed reduced satisfaction results for waste management services, with national average satisfaction in relation to household waste collection showing an overall decline of 5% since 2003/04, the Council's actual recycling performance has improved significantly since the introduction of the new waste management arrangements in 2005/06 and the amount of refuse recycled has doubled to nearly 40%, placing the authority second only to Uttlesford District Council in terms of the recycling performance of Essex authorities.

21. Slightly over half of all respondents (51%) that made a complaint to the Council in 2006/07 were dissatisfied with the way their complaint was handled. However levels of dissatisfaction with the way that the Council deals with issues such as complaints, planning applications and benefit claims need to be viewed with some caution, as satisfaction can often be significantly affected by the outcome of the complaint, application or claim, rather than purely how it was handled. This point is particularly relevant in terms of the Benefits Survey, where levels of satisfaction were sought from all claimants, including those whose claims were refused or were subject to recovery action by the Council.

22. Although many respondents were satisfied with cultural facilities such as libraries, museums and galleries, these results need to be considered in context. It is possible that some respondents were unclear as to which local authority provided these services, as the Council is not responsible for the provision of libraries, and there are extremely small numbers of museums, galleries, theatres and concert halls in the district, very few of which are provided or operated by the authority. This view is supported by the fact that the Council's satisfaction levels for cultural facilities are all below the respective Essex district averages for 2006/07.

23. Improvements in satisfaction with the way the Council deals with planning and benefits applications reflect additional resources and investment made in these priority areas since the 2003/04 round of surveys. The most significant deterioration in satisfaction with the Council's Benefits Service over the last three years is in relation to the amount of time taken to determine benefit claims. Although satisfaction has decreased by 5% since 2003/04, the Council's actual performance in determining claims has improved from an average of 34 days in 2003/04 to an average of 28 days in 2006/07.

### **Publication of Survey Results:**

24. The BVPI results of each of the surveys were required to be reported in the Best Value Performance Plan for 2007/08, which was adopted by the Council at its meeting on 28 June 2007. The survey results for all local authorities will be published nationally by the Audit Commission shortly, and summary survey results will also be published in the Winter 2007 edition of the 'Forester' magazine.

### **Future Surveys:**

25. Since the completion of the 2006/07 round of surveys, a number of Essex authorities have expressed interest in repeating some or all of the surveys during 2007/08, and possibly on an annual basis each year between the requirement for the statutory surveys, as a means of gathering interim satisfaction data and tracking performance. It is understood that most of the authorities that are interested in repeating the surveys in 2007/08 require the further delivery of the General Survey only, although a minority also wish to re-run the Benefits, Planning and Tenants surveys.

26. As members are aware, the General Survey focuses on key areas of the Council's corporate performance and issues such as the environment, waste management, and cultural and recreational services, in addition to reflecting a range of quality of life issues. A repeat of the survey could therefore be of use in measuring early satisfaction with new waste management arrangements and the external management of the authority's leisure facilities. Management Board considers that it would therefore be beneficial to run the survey again during 2007/08, and participating Essex authorities have indicated to interested research agencies that each council must receive their individual survey results and reports by no later than 31 January 2008, in order for the results to inform budgets for 2008/09.

27. A lead authority has sought quotations for the repeat of the surveys from the individual research agencies (QA Research, BMG Research IPSOS Mori, MRUK Research) that between them undertook all of the 2006/07 surveys across Essex. Although it will obviously be the case that the greater the take up amongst authorities the lower the overall cost will be for each repeat survey, it is anticipated that survey costs will be similar to those for 2006/07, and that these could be met from the consultation budget of the Performance Management Unit for the current year. Any surveys repeated in 2007/08 would be undertaken in accordance with the methodology prescribed by the Department for Communities and Local Government for the 2006/07 round.

28. The Cabinet Committee is therefore asked to note that it is intended that the General Survey will be repeated during 2007/08. In view of the level of service specific resources involved in repeating the Benefits, Planning and Tenants surveys, Management Board has determined that these not be undertaken again during the current year.

### **Statement in Support of Recommended Action:**

29. The Council is statutorily required to undertake the customer satisfaction surveys every three years. This report and the member presentations to be made on the survey results on 18 October 2007 provides local and national context for the individual results.

30. To ensure that the Council takes account of feedback in relation to its services and that the results of the customer satisfaction surveys are used to inform service development and improvement, and future plans and priorities.

**Other Options Considered and Rejected:**

31. None. The Council is statutorily required to undertake the customer satisfaction surveys every three years and to use the results of the customer satisfaction surveys to inform service development and improvement, and future plans and priorities.

**Consultation Undertaken:**

32. This report has been subject to consultation with the Finance, Performance Management and Corporate Support Services Portfolio Holder, the Chief Executive, and Senior Management Team.

**Resource Implications:**

**Budget/Personnel/Land:** None.

**Council Plan/Best Value Performance Plan Reference:** Section 8 – ‘How We Measure Our Achievements’.

**Relevant Statutory Powers:** It is a statutory requirement for all councils to carry out the BVPI Customer Satisfaction Surveys every three years.

**Background Papers:** The individual survey reports of each research agency have been placed in the Members’ Room and published on the Council’s website

**Environmental/Human Rights Act/Crime and Disorder Act Implications:** None

**Key Decision Reference: (if required)** None

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## **Report to the Finance and Performance Management Cabinet Committee**



**Epping Forest  
District Council**

**Date of meeting: 24 September 2007.**

**Portfolio: Finance, Performance Management and Corporate Support Services.**

**Subject: Budget 2008-09 – Financial Issues Paper.**

**Officer contact for further information: Bob Palmer (01992 – 564279).**

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

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

**To make recommendations to the Cabinet on establishing a new budgetary framework including:**

- (a) Setting 2008/09 budget guidelines for the:**
  - (i) The CSB budget (excluding growth items);**
  - (ii) CSB growth items;**
  - (iii) DDF items;**
  - (iv) The use of surplus General Fund balances; and**
  - (v) The District Council Tax for a Band 'D' property;**
- (b) A revised Medium Term Financial Strategy for the period to 2010/11, including the communication of the revised Medium Term Financial Strategy to staff, partners and other stakeholders; and**
- (c) The capitalising of additional pension fund deficit payments for the period 2009/10 to 2011/12.**

### **Introduction:**

1. This report provides a framework for the Budget 2008/09 and updates Members on a number of financial issues that will affect this Authority in the short to medium term.

2. In broad terms the following represent the greatest areas of current financial uncertainty and risk to the Authority:

- Internal and external restructuring
- Changes to the statutory concessionary fares scheme
- Future Local Government Finance Settlements
- Capitalisation of pension deficit payments
- Customer Services Transformation Programme
- Ongoing difficulties with recruitment and retention
- A new waste service provider and higher recycling targets
- Restriction on future Council Tax increases

3. These issues will be dealt with in the following paragraphs, taking the opportunity to discuss some areas in greater detail following recent developments. Based on the

information contained in the report Members will be expected to set out, for consultation purposes, the budgetary structure for 2008/09.

#### **General Fund Out-turn 2006/07:**

4. Members have already received the outturn figures and the Statutory Statement of Accounts for 2006/07 together with explanations of the variances. In summary the General Fund Revenue outturn for 2006/07 shows that CSB expenditure was £84,000 higher than the original estimate, and £807,000 lower than the revised. The main variance, as in 2005/06, related to staff savings arising from vacancies.

5. The revised CSB estimate for 2006/07 had increased from £15.253m to £16.144m, largely as a result of the former waste management contractor being placed in administration. However, close management of the interim contractor and the decision to purchase the refuse fleet meant that revenue costs were contained and a saving of nearly £200,000 achieved against the revised estimate.

6. DDF expenditure was underspent by £1.17m, compared to the original estimate. However £0.868m of this resulted from slippage so both expenditure and financing for this amount has been carried forward to 2007/08. Given the rationing by the Department for Communities and Local Government (DCLG) of capitalisation directions, it was decided not to seek a direction for the commutation adjustment in 2006/07 and consequently no credit to the DDF arose. In 2005/06 a credit to the DDF of £270,000 was achieved by capitalising the commutation adjustment.

7. The authority has benefitted substantially from the Local Authority Business Growth Incentives Scheme (LABGI), with grant of £0.803m exceeding the revised estimate by £0.303m. Following the settlement of a legal challenge by two other authorities notification has recently been received of an additional £41,000 of grant for 2006/07. The inclusion of the LABGI income and the large underspend mean the balance on the DDF has increased to £3.181m at 31 March 2007. However, more than half of this amount is committed to finance the present programme of DDF expenditure.

8. As the underspend on the DDF is matched by the variance on appropriations, the overall variance in the use of the General Fund Revenue balances is equal to the CSB overspend of £84,000, compared to the original estimate. This translates into an increase in balances of £0.305m compared to the revised estimate of a reduction of £0.502m. The original estimate had indicated an increase of £0.389m.

#### **The Updated Four-Year Financial Forecast:**

9. Appendices 1(a/b) show the latest four-year forecast for the General Fund. This is based on adjusting the balances for the 2006/07 underspends, the costs of the newly let waste management contract and adjusting future years accordingly. Members are requested to note that only items already approved by Council have been included in the forecast. The Appendix 1(b) shows that all other things being equal revenue balances will decrease at the rate of £0.718m p.a. rising to just under £1.2m p.a. by 2010/11.

10. For some time Members have aligned the balances to the Council's 'Net Budget Requirement' (NBR), allowing balances to fall to no lower than 25% of NBR. The predicted balance at 1 April 2008 of £6.408m represents just over 37% of the anticipated NBR for next year (£17.17m) and is therefore somewhat higher than the Council's current policy of 25%. However, the additional costs (compared to those of the previous contractor) that will be incurred on the refuse and street cleansing contract mean that by 1 April 2011 the predicted balance will have reduced to £3.891m. This represents less than 22% of the NBR for 2010/11 (£18m).

11. This financial position is better than had been anticipated at this time last year but still indicates a need for savings to be identified or the Council Tax to be increased above current

target levels during the next four years. If it is assumed that Members will want to adhere to the policy of not increasing Council Tax by more than the rate of increase in the Retail Prices Index then savings must be made in net expenditure.

12. Appendices 2(a/b) show a possible financial strategy with target levels of saving to be achieved over the four-year period. The target net savings proposed are £100k in 2007/08 followed by £200k in each of the following three years. These net savings could arise either from reductions in expenditure or increases in income.

13. The level of revenue balances at 1 April 2011 is predicted to be some £1.7m higher than shown in the first model at £5.609m. As this level of balances represents just over 31% of the NBR for 2010/11 (£18m) it can be seen that the savings realign the four-year forecast with the requirement that revenue balances should not fall below 25% of NBR. If Members feel that the levels of net savings being targeted are appropriate, it is proposed to communicate this strategy to staff and stakeholders.

14. Estimated DDF expenditure is the same in both models and it is anticipated that there will still be £1.3m of DDF funds available at 1 April 2011. The four-year forecast approved by Council on 20 February 2007 predicted a DDF balance of £0.81m at the end of 2010/11. However, additional LABGI income of £0.3m and DDF savings in 2006/07 of £0.4m have substantially increased that figure.

15. Capital balances have been updated for recent outturn figures and updated assumptions on capital receipt generation, including the recent sale of the T11 site. Similarly to the DDF, both models use the same assumptions for capital and predict a balance of £18.128m at 1 April 2011. Over this four-year period the capital programme has some £45.1m of spending. As capital balances are used up the revenue benefit from interest earnings is reduced and so care needs to be exercised in expanding the capital programme any further, particularly on non-revenue generating assets.

#### **The Government Grant Allocation System :**

16. The DCLG is currently conducting a consultation, which closes on 10 October, on possible changes to the grant allocation system from 1 April 2008. In the supporting papers for the consultation the DCLG have stated that they regard this as a fine tuning exercise and that wholesale changes to the system are unlikely. Given the closing date of the consultation and the time then needed to evaluate responses and make any adjustments it is unlikely that any figures will be received from the DCLG until December. When the figures are released it is hoped that they will cover a three-year period. The DCLG has previously stated their intention to move to three-year settlements to assist medium term forecasting. However, the last settlement was only for two years so as to align the next settlement with the Comprehensive Spending Review (CSR) period.

17. The two-year settlement mentioned above introduced a "Four Block" system for formula grant that moved away from the notional spending and tax elements that were used in the previous system. As it appears this system is to be retained the previous explanation of it is repeated below for ease of reference.

18. The system of formula grant currently comprises of four blocks:

- A **relative needs block**, worked out through relative needs formulae (RNF). RNFs are split into blocks covering Children's Services, Adult Services, Police, Fire and Rescue, Highways, EPCS and Capital Financing. The formula for each service is based on a per client amount with top-ups to reflect local circumstances, including deprivation and area costs.
- A **relative resource amount**, to take account of different capacity to raise income from council tax. This is a negative amount.

- A **central allocation** amount, which is allocated on a per capita basis.
- A **floor damping block**, to ensure that all authorities receive a minimum grant increase.

19. As figures are not yet available for 2009/10 it has not been possible to update the table below showing how these four blocks combine to give formula grant figures both nationally and for Epping Forest District Council. Under the four-block model this authority changed from receiving floor support of £412,000 in 2005/06 to losing £490,000 and £189,000 to support others in 2006/07 and 2007/08 respectively. The floor increase for shire districts for 2006/07 was set at 3% and 84 districts benefited from floor support. In order to finance the floor, authorities like this one who have had their grant increased by more than 3% have had the amount of grant increase above the floor that they can keep restricted. For 2006/07 we were only able to retain 49.1% of the increase above the floor. This improved in 2007/08 when we are able to retain 60.8% of the increase above the floor, which was set as 2.7%.

	National Figures		EFDC Figures	
	2006/07 £m	2007/08 £m	2006/07 £m	2007/08 £m
Relative Needs Amount	14,816.65	15,336.75	5.728	5.742
Relative Resource Amount	-5,129.40	-5,309.46	-4.465	-4.724
Central Allocation	11,172.46	11,564.64	7.854	8.332
Police Grant	3,931.05	4,028.33	0.000	0.000
Floor Damping	0.00	0.00	-0.490	-0.189
<b>Formula Grant</b>	<b>24,790.76</b>	<b>25,620.26</b>	<b>8.627</b>	<b>9.161</b>

20. The DCLG consultation has 29 questions covering specific changes, although the document also invites respondents to propose new options. Some of the areas will not impact directly on the Council, for example social services, police and fire and rescue, but many will, for example capital finance, area cost adjustments and the tapering down of floor grants. The EPCS block will also be updated for the changes to concessionary fares. This change is described in detail later, but it is also necessary to consider the possible impact on the Council's grant funding. Additional money is being put into the Revenue Support Grant system to pay for the enhanced travel scheme but the Government is still to decide on how this, and possibly existing funding, will be allocated. Some authorities have argued that the funding that was put into the system to pay for the change from a half fare scheme to a fare paid scheme was not distributed fairly and that the authorities that benefited most from the additional funding were not necessarily the authorities that experienced the greatest increase in concessionary fare costs.

21. To address the concerns about fairness the Government is considering ways to get a greater share of the funding to those authorities suffering the greatest increases in costs. This might involve some form of specific grant rather than distributing through the four-block mechanism, although this method has a number of other problems associated with it. In trying to construct a specific grant formula there is no guarantee that in the first year the allocation will be any fairer as it will be necessary to create a new model to predict where the greatest burdens of the new scheme will fall. If money already in the system is withdrawn and also allocated by specific grant some authorities could experience large swings in their grant allocations. As an authority that has done relatively well under the current system, we would be likely to suffer from a specific grant system, particularly if funding already in the system is to be re-allocated by such a mechanism.

22. There is also concern about the effect that the CSR and the next stage of the efficiency agenda will have on the levels of grant. The Government has already made it clear that it is trying to restrict growth in public spending and so the settlement for district councils from this CSR is unlikely to be generous. Grant may also be reduced as part of the efficiency agenda. So far authorities have been able to keep any efficiencies they achieve for re-investing in priority services and have been able to claim both cashable and non-cashable



efficiencies. The Government appears intent on sharing the benefit of efficiencies generated by increasing the target level from 2.5% of annual expenditure to 3%, making this amount fully cashable and reducing grant by this amount. The Local Government Association has lobbied against this but the effectiveness of their campaign will only be clear when the grant settlement is announced.

23. As outlined above, there are a number of different options to amend the current grant system from 2008/09. The existence of these options makes it difficult to predict the future level of grant funding. The four-year forecast agreed in February was on the basis that gross government grant would increase by 2% p.a. and that floor limitations would reduce, this produces net grant increases of 3.5% for 2008/09 and 2.5% for 2009/10. Given the comments on floor funding above, the risk of these assumptions is not felt to be excessive but Members should note that a risk exists.

#### **CSB:**

24. The CSB saving against revised estimate was £0.807m, compared to £0.639m in 2005/06. The prime cause of this under spend was again salary savings, actual salary spending for the authority in total, including agency costs, was some £17.9m compared against an original estimate of £18.7m. Early indications are that the underspend on salaries in 2007/08 is reducing, with spending at the end of July being 2.3% (£145K) below an adjusted estimate (although it must be remembered that approximately one third of this relates to the HRA). However, an additional complicating factor this year is that the pay award is still not agreed. The original estimates were calculated allowing for an increase of 2.65%, which is below the employers current offer of 2.5%.

25. Previously it has been agreed that CSB expenditure should not rely on the use of balances to provide support but should be financed only from Government grant (RSG + Distributable NDR) and council tax income. This means that effectively the level of council tax will dictate the net expenditure on CSB or the CSB will dictate the level of council tax. As Members have previously indicated that future council tax increases should be at or below the increase in the retail price index, assumed to be 2.5% for the near future, it is clear that the former will be the determinate. The four-year forecast, agreed in February, includes these assumptions.

26. The latest four-year forecast (Appendices 1(a/b)) show that the original budget for 2007/08 failed to achieve that objective, with funding from Government grants and local Tax payers falling short of CSB by £0.321m. The revised estimate for this year now shows the CSB total at £17.012m, which exceeds funding by £0.353m. This revision includes the CSB growth already approved for the parking contract and assumes that the CSB reduction from the new waste management and street-cleansing contract will benefit the authority in 2008/09. These figures show that there is a need for CSB net expenditure to be reduced or tax increases to be raised, as discussed in paragraph (11) above.

#### **Internal and External Restructuring:**

27. The Council is still undergoing a major internal restructuring. At the top of the organisation a single Chief Executive and his deputy are now in post and proposals are being consulted on to assimilate some Heads of Service to new Service Director posts. This new structure reduces the top management from twelve (two joint chief executives and ten heads of service) to eight (chief executive, deputy, assistant and five service directors). It will take some time for the Service Directors to establish any additional costs that may be necessary to ensure adequate organisational capacity and any savings that may arise through the merging of sections/functions now duplicated in the new structure. Some DDF expenditure may also be necessary on accommodation and equipment to make sure that each business unit is appropriately located and resourced. Given this level of complexity and uncertainty the financial forecasts currently assume that once the internal restructuring has been completed it will be cost neutral.

28. External restructuring is used here to cover the possibilities of services either being out sourced or provided jointly with another local authority. The Government has placed much emphasis on "Shared Services" as a way of generating efficiencies and there already appear to be a number of different models of closer working emerging across the county. Private sector partners already provide the Council's waste, parking and leisure management services. Once the internal restructuring has settled down the Council will have to give serious consideration to its future direction and the nature of service provision that is to be pursued. No assumptions have been built into the four-year forecast for changes to service provision and any associated higher or lower costs.

#### **Concessionary Fares:**

29. From 1 April 2006 the statutory requirements for concessionary fares schemes were changed from providing half fare travel within the scheme boundaries to allowing free travel. Additional funding was included in the grant settlement for this change, although as mentioned above some authorities have disputed the fairness of the allocation. The bus operators have also been unhappy with their payments under the new system. The governing principle of the re-imburement calculation is that the bus operators should be neither better nor worse off for participating, they should only receive an amount equal to the revenue foregone by offering the concession. However, a number of operators are disputing the basis of these calculations and appealing to the Department for Transport. Several of these appeals have been successful for 2006/07 and are now continuing in 2007/08 and may increase the costs to local authorities significantly.

30. A further complication with concessionary fares is that from 1 April 2008 free travel will be allowed on all local bus services and not just those operating within the scheme boundaries. In theory it will be possible for pass holders to travel free from Epping to Torquay or Newcastle using local bus services. Currently an Epping resident on holiday in Bournemouth would not be able to use their Essex pass to obtain free bus travel. However, under the scheme from 1 April 2008 a pass holder will be able to use their pass anywhere for local bus services. This means the nature of the passes and the system of re-imburement will need to change. The passes will require some form of electronic chip that will need to be read by machinery installed on the bus to record the journey. It has now become clear that the district in which the journey commences will be charged, rather than the district that issued the pass. The implications are particularly serious for authorities that are tourist destinations. Such a scheme will inevitably be more costly, given the enhanced benefits available, and will also cost more to administer. The Government's proposals on exactly how the scheme will operate and be paid for are eagerly awaited. At the moment the financial forecast does not include any additional costs for either higher charges for the current scheme or the new scheme from 1 April 2008.

#### **Pension Fund Deficit Contributions and Capitalisation Directions:**

31. Ongoing funding requirements for the pension fund are determined by triennial valuations. The results of the March 2004 triennial valuation required our annual deficit contribution to more than double from £823,000 in 2004/05 to £1,674,659 in 2005/06, with further smaller increases in 2006/07 and 2007/08. In anticipation of this increase £2.5 million was moved to a Pension Deficit Reserve in the Financial Statements for 2003/04. This was done in order to minimise the effect of these additional contributions on the Council Tax. In order to charge the additional contributions to this capital reserve a capitalisation direction was obtained from the Office of the Deputy Prime Minister for 2005/06. Capitalisation directions only last for one year and so a fresh application was submitted for 2006/07. However for 2006/07 DCLG introduced a two gate system for rationing capital directions, and although gate one clearance was achieved for the whole amount only 57% ultimately received gate two approval. The DCLG have advised that they have seen a reduction in the overall level of applications for 2007/08 and so the forecast assumes that a direction will again be obtained for the full amount. It is possible that a direction may not be obtained or like 2006/07 may only cover part of the amount requested. If this were the case it may be necessary to seek substantial savings elsewhere or significantly increase the Council Tax.

32. The outcome of the latest triennial valuation, as at 31 March 2007, is still awaited. Some preliminary information has been released by Essex County Council which shows that the percentage of the schemes liabilities covered by its assets has increased from 71% at the 31 March 2004 valuation to 85% at the current valuation date. Although this will not necessarily lead to a reduction in deficit payments as these are based on actuarial assumptions of future trends as well as the funds current position. A key factor here is longevity and the assumptions used in 2004 underestimated average future life expectancy by four years. There have also been a number of changes to the Local Government Pension Scheme, including changes to ill health retirement terms and the introduction of variable contribution rates which the actuary will have to evaluate before concluding on the deficit payments required.

33. The original decision to capitalise pension deficit payments was based on a desire to keep Council Tax as low as possible and help safeguard revenue reserves through the use of capital. Even though the exact amount of these payments is still to be determined it is proposed that the policy of capitalisation is continued and that in order to facilitate this £2.5m of usable capital receipts are moved to the Pension Deficit Reserve.

#### **Customer Services Transformation Programme:**

34. On 9 October 2006 Cabinet decided to defer the Customer Services Transformation Programme (CSTP). No CSB or DDF amounts have been programmed for this initiative but some £2.2m of expenditure is still included in the capital programme. Given the uncertainty over the timing and nature of any CSTP £0.5m has been left in the programme for 2008/09 with the balance of £1.7m being shown in 2009/10. It may only be when a clear picture emerges of the final outcomes from the internal and external restructurings mentioned above that it will be possible to set out an updated vision for a CSTP.

35. Members are therefore reminded that further net growth in CSB should be restricted and that future growth must be financed from savings, sustainable investment income or carefully selected above-inflation increases in fees and charges. To this end it is important that Members set down early guidelines for CSB expenditure for future years so that the bidding process is a sensible and manageable exercise. The revised four-year plans show indicative figures, firstly without net savings and then with suggested levels of target savings.

#### **DDF:**

36. The carry forward of £868k represents an increase of over £100k on the £575k of slippage for 2005/06. However, Heads of Service are now required to explain slippage and have been warned that repeated slippage could see funding removed from schemes. Given that DDF funding is limited, it should only be used to support high priority projects. If a project takes several years to be implemented questions may arise over whether it was really a priority and if that money could have been used for a more urgent purpose.

37. The financial forecast shows that not all DDF funding is currently allocated to schemes. It is currently anticipated that there will be some £1.3m of DDF available at 1 April 2011. Although it is likely that the costs of the restructurings mentioned above will have an impact on this figure.

38. An item that Members need to be reminded of here is the use of DDF to promote economic development within the District. Cabinet took an in principle decision on 19 December 2005 that some of the income from the Local Authority Business Growth Incentive Scheme would be used to promote economic development. However, the only scheme to have come forward is a relatively small one in Waltham Abbey and no other amounts have been ring fenced so the forecast assumes this money is available to fund other DDF schemes. If Members wish to allocate a specific amount to economic development this will reduce the funding available for other schemes.

## **The Capital Programme:**

### **Housing Capital Receipts:**

39. Following a series of reductions in the level of Council house sales from 139 in 2003/04 to 61 in 2004/05 and 40 in 2005/06 the forecast for 2006/07 was set at 35. However, the recent trend of falling sales was reversed with a total of 46 sales completed in the year. This meant that £0.987m of transitional relief was available to fund the HRA capital programme, some £0.265m more than estimated.

40. In view of the 2006/07 outturn the level and value of sales for subsequent years has been re-assessed. The capital forecast was based on 30 sales in 2007/08, but that has now been increased to 32 with a reduction to 30 from 2008/09 onwards. Sales for the first third of 2007/08 are in line with expectations with 9 completions, three less than at this point for 2006/07. The number and value of sales will continue to be closely monitored and future capital programmes will be adjusted for any evident trends.

41. A revised capital programme and four year forecast are being presented to Cabinet on 8 October. The forecast programme includes the adjustments mentioned above for revised levels of receipts from council house sales.

### **Other Receipts:**

42. Receipts are also generated through the sale of other assets, with the most recent example being the T11 site at Langston Road, which was disposed of early in 2007/08. Members will be aware that there are other sites under consideration for disposal and that they may generate significant receipts in the medium term. In line with established policy, neither the capital receipts nor any income that may be generated from them, are included in the estimates prior to completion.

### **Expenditure:**

43. The capital outturn report considered by the Finance and Performance Management Cabinet Committee on 18 June 2007 highlighted that the underspend of £5.1m was significantly higher than the £1.2m underspend in 2005/06. This underspend arose from slippage in both non-housing and housing programmes. The non-housing programme was underspent by £1.1m, with the largest items being £271K on parking and traffic schemes and £186K on town centre enhancements. The general fund housing programme was underspent by £1.9m, with the largest items being £1m on affordable housing and £378K on a compulsory purchase order. The HRA programme was £2.2m underspent, with the largest items being planned maintenance at £833K and structural schemes at £505K.

### **The Council Tax:**

44. Band D Council Tax increases were 3.9% for 2005/06, 2.5% for 2006/07 and 3.5% for 2007/08. Members have indicated that future increases should not exceed the rate of increase in the retail price index. Current 4-year forecasts are based on ongoing increases of 2.5% p.a., which should not fall foul of the capping criteria. However, Members will need to indicate whether they are in agreement with this assumption as it is a fundamental component to setting the budgetary framework for the Authority.

45. The financial position that the Council now finds itself in is significantly different from last year. A prudent view was taken on the additional costs following the collapse of SHWM and new spending pressures in other areas. These factors combined meant that the medium term forecast presented in the previous financial issues paper showed revenue reserves falling to little more than £1m by 1 April 2010. With the better than anticipated outturn for 2006/07 and the success of the tendering exercise for the waste management contract these concerns have been partially allayed. Even the four-year forecast at Appendices 1(a/b) that does not include target savings has revenue reserves of nearly £3.9m at 1 April 2011.

46. Given the improved financial position it was felt that Members would be keen to keep the target for Council Tax increases in line with increases in the Retail Prices Index. Therefore no alternative forecast has been prepared, although if Members wish to see one a model could be produced with Council Tax increases set at 4% or 5%. Members will be able to consider these issues and others in consultation with the overview and scrutiny finance panel over the next few months. Accelerating the increases in Council Tax is an alternative that can be kept under consideration if the target savings suggested prove difficult to find.

#### **A revised Medium Term Financial Strategy:**

47. Appendices 2(a/b) show a four-year forecast with target levels of savings to bring the projections back in line with the policy of keeping reserves above 25% of the NBR. The net savings included are £100k in the revised 2007/08 figures and then £200k in the three subsequent years. These savings would give total CSB figures for 2007/08 revised of £16.912m and 2008/09 of £17.314m.

48. This proposal sets DDF expenditure at £2m for the revised 2007/08 and £186k for 2008/09, and although the possibility of other costs arising has been touched on above, it is unlikely that the DDF will be used up in the medium term.

49. No predicted capital receipts are being taken into account at this stage although the actual sale of land at T11 has been allowed for. If new funding is matched by additional expenditure the effect on the council's financial position is broadly neutral.

50. The Council has previously scored a 3 for Financial Management as part of the Audit Commission's Use of Resources assessment. To maintain that score the Council must take steps to more pro-actively communicate the Medium Term Financial Strategy with staff, partners and other stakeholders. This Key Line of Enquiry has become mandatory to achieve a 3 in the current assessment. If Members agree, appropriate steps can be taken to circulate either the full strategy or a summarised version.

#### **Conclusion:**

51. The financial position is such that Members must now carefully prioritise the allocation of scarce resources. Any further growth bids will need to be rigorously considered and there is a clear need to seek savings. With the general fund revenue balance just short of £6.8m there is no need for short-term panic measures. However, before the end of the current forecast period the restructuring of the authority must be completed to ensure that priority services are provided at a sustainable level. If such a review is not conducted and the target savings are not identified then the authority will breach its target for reserves and be in the dangerous position of having increasing deficit budgets.

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## REVISED GENERAL FUND FOUR YEAR FORECAST 2007/08 - 2010/11

ORIGINAL 2007/08	REVISED FORECAST 2007/08	FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11
£'000 NET REVENUE EXPENDITURE	£'000	£'000	£'000	£'000
16,842 Continuing Services Budget	16,842	17,639	18,444	19,128
138 CSB - Growth Items	170	-13	45	37
<b>16,980 Total C.S.B</b>	<b>17,012</b>	<b>17,626</b>	<b>18,489</b>	<b>19,165</b>
876 One - off Expenditure	1,996	186	13	0
<b>17,856 Total Net Operating Expenditure</b>	<b>19,008</b>	<b>17,812</b>	<b>18,502</b>	<b>19,165</b>
-876 Contribution to/from (-) DDF Balances	-1,996	-186	-13	0
-321 Contribution to/from (-) Balances	-353	-460	-893	-1,164
<b>16,659 Net Budget Requirement</b>	<b>16,659</b>	<b>17,166</b>	<b>17,596</b>	<b>18,001</b>
<b>FINANCING</b>				
9,350 Government Support (NNDR+RSG)	9,350	9,537	9,728	9,922
-189 RSG Floor Gains/(-Losses)	-189	-58	-12	0
<b>9,161 Total External Funding</b>	<b>9,161</b>	<b>9,479</b>	<b>9,716</b>	<b>9,922</b>
7,498 District Precept	7,498	7,687	7,880	8,078
0 Collection Fund Adjustment	0	0	0	0
<b>To be met from Government 16,659 Grants and Local Tax Payers</b>	<b>16,659</b>	<b>17,166</b>	<b>17,596</b>	<b>18,001</b>
Band D Council Tax	139.50	143.01	146.61	150.30
<b>Percentage Increase %</b>		<b>2.5</b>	<b>2.5</b>	<b>2.5</b>

## REVISED GENERAL FUND FOUR YEAR FORECAST 2007/08 - 2010/11

	REVISED FORECAST 2007/08	FORECAST 2008/09	FORECAST 2009/10	FORECAST 2010/11
	£'000	£'000	£'000	£'000
<b>REVENUE BALANCES</b>				
Balance B/forward	6,761	6,408	5,948	5,055
Surplus/Deficit(-) for year	-353	-460	-893	-1,164
Balance C/Forward	6,408	5,948	5,055	3,891
<b>DISTRICT DEVELOPMENT FUND</b>				
Balance B/forward	3,181	1,502	1,316	1,303
Income	317	0	0	0
Transfer Out	-1,996	-186	-13	0
Balance C/Forward	1,502	1,316	1,303	1,303
<b>CAPITAL FUND (inc Cap Receipts)</b>				
Balance B/forward	26,425	25,132	20,595	18,452
New Usable Receipts	7,032	831	819	817
CR Used to Fund Capital Expenditure				
- Transitional Relief Receipts	-1,000	0	0	0
- Other Capital Receipts	-7,325	-5,368	-2,962	-1,141
Balance C/Forward	25,132	20,595	18,452	18,128
<b>TOTAL BALANCES</b>	<b>33,042</b>	<b>27,859</b>	<b>24,810</b>	<b>23,322</b>



## REVISED GENERAL FUND FOUR YEAR FORECAST 2007/08 - 2010/11

<b>ORIGINAL 2007/08</b>	<b>REVISED FORECAST 2007/08</b>	<b>FORECAST 2008/09</b>	<b>FORECAST 2009/10</b>	<b>FORECAST 2010/11</b>
£'000 <b>NET REVENUE EXPENDITURE</b>	£'000	£'000	£'000	£'000
16,842 Continuing Services Budget	16,842	17,527	18,110	18,556
138 CSB - Growth Items	170	-13	45	37
0 Target saving	-100	-200	-200	-200
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16,980 Total C.S.B	16,912	17,314	17,955	18,393
876 One - off Expenditure	1,996	186	13	0
<hr/>				
17,856 Total Net Operating Expenditure	18,908	17,500	17,968	18,393
-876 Contribution to/from (-) DDF Balances	-1,996	-186	-13	0
-321 Contribution to/from (-) Balances	-253	-148	-359	-392
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16,659 Net Budget Requirement	16,659	17,166	17,596	18,001
<hr/> <hr/>				
<b>FINANCING</b>				
9,350 Government Support (NND+RSG)	9,350	9,537	9,728	9,922
-189 RSG Floor Gains/(-Losses)	-189	-58	-12	0
<hr/>				
9,161 Total External Funding	9,161	9,479	9,716	9,922
7,498 District Precept	7,498	7,687	7,880	8,078
0 Collection Fund Adjustment	0	0	0	0
<hr/>				
To be met from Government 16,659 Grants and Local Tax Payers	16,659	17,166	17,596	18,001
<hr/> <hr/>				
Band D Council Tax	139.50	143.01	146.61	150.30
<b>Percentage Increase %</b>		2.5	2.5	2.5

**REVISED GENERAL FUND FOUR YEAR FORECAST 2007/08 - 2010/11**

	<b>REVISED FORECAST 2007/08</b>	<b>FORECAST 2008/09</b>	<b>FORECAST 2009/10</b>	<b>FORECAST 2010/11</b>
<b>REVENUE BALANCES</b>	£'000	£'000	£'000	£'000
Balance B/forward	6,761	6,508	6,360	6,001
Surplus/Deficit(-) for year	-253	-148	-359	-392
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Balance C/Forward	6,508	6,360	6,001	5,609
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<b>DISTRICT DEVELOPMENT FUND</b>				
Balance B/forward	3,181	1,502	1,316	1,303
Income	317	0	0	0
Transfer Out	-1,996	-186	-13	0
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Balance C/Forward	1,502	1,316	1,303	1,303
	<hr/> <hr/>			
<b>CAPITAL FUND (inc Cap Receipts)</b>				
Balance B/forward	26,425	25,132	20,595	18,452
New Usable Receipts	7,032	831	819	817
CR Used to Fund Capital Expenditure				
- Transitional Relief Receipts	-1,000	0	0	0
- Other Capital Receipts	-7,325	-5,368	-2,962	-1,141
	<hr/>			
Balance C/Forward	25,132	20,595	18,452	18,128
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<b>TOTAL BALANCES</b>	<b>33,142</b>	<b>28,271</b>	<b>25,756</b>	<b>25,040</b>
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## **Report to the Finance and Performance Management Committee**



**Epping Forest  
District Council**

**Date of meeting: 24 September 2007.**

**Portfolio: Finance, Performance Management and Corporate Support Services.**

**Subject: Risk Management.**

**Officer contact for further information: Bob Palmer (01992 - 564279).**

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

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

**Members are asked to consider the attached report and to agree the proposed amendments to the Corporate Risk scores.**

### **Introduction:**

1. A report was presented to the last meeting of this Committee on 18 June 2007 with a copy of the updated Corporate Risk Register attached. The report covered the inclusion and scoring of two new risks, which had been identified by the Audit Commission.
2. Cabinet adopted this updated version of the Corporate Risk Register on 16 July.

### **Corporate Risk Register:**

3. As part of the embedded ongoing process of review the Corporate Risk Register was considered by the Risk Management Group on 19 July, Senior Management Team on 3 August and the Corporate Governance Group on 12 September.
4. At each of the officer meetings the risks and their scores were reviewed to take account of any changes since these were last amended. These discussions were recorded and converted into the attached table at Appendix 1, which only details the items where changes are proposed.
5. A fully updated version of the Corporate Risk Register is not being presented to this meeting, as a major update will be necessary for the changes to the Top Management structure from 1 October. It is intended to present a fully updated version to the next meeting of this Committee on 19 November.

### **Statement in Support of the Recommended Action:**

6. The updating of the risk scores has involved senior officer input to produce considered and balanced proposals. The terms of reference for this Committee include making recommendations to Cabinet on risk management and so members are asked to approve the amended risk scores and recommend them to Cabinet.

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

7. Members may not agree with the suggested changes to risk scores and could ask for the risks to be rated differently.

Amendments Agreed to Risk Ratings – 24 September 2007

<b>Risk Number</b>	<b>Risk Name</b>	<b>Previous Rating</b>	<b>Revised Rating</b>	<b>Comments</b>
19	Planning service does not maintain improved performance.	D2	E2	Improvements have been sustained for over a year and are felt to now be embedded. Therefore, the likelihood is reduced from low to very low and the risk is now below the tolerance line.
5	Local Government reorganisation which is detrimental to the Council and Community	D3	E3	There now appears to be little chance of any boundary changes within Essex. The proposed change reduces the likelihood from low to very low, although this risk was already below the tolerance line.
9	Joint Chief Executives – Structure by end of 3 year period	D3	Delete from register	No longer relevant.
D12	Gershon – rule changes	E4	D4	As part of the Comprehensive Spending Review tougher efficiency targets and a more stringent scheme of measurement are anticipated. Therefore, the likelihood is increased from very low to low although the risk remains below the tolerance line.

Annual Governance Report

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Date

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# **Annual Governance Report**

**Epping Forest District Council**

**Audit 2006/07**

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Paul King

Filename EFDC Annual Governance Report 0607 final

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## Purpose of this document

- 1 In accordance with the Audit Commission's Code of Audit Practice (the Code), this report provides a summary of the work we have carried out during our 2006/07 audit of accounts, the conclusions we have reached and the recommendations we have made to discharge our statutory audit responsibilities to those charged with governance (in this case The Audit and Governance Committee) at the time they are considering the financial statements.
- 2 In preparing our report, the Code requires us to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged with Governance', by reporting to you matters relating to the audit of the financial statements. Other auditing standards require us to communicate with you in other specific circumstances including:
  - where we suspect or detect fraud;
  - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; and
  - non-compliance with legislative or regulatory requirements and related authorities.
- 3 We are also required to communicate to you the Audit Commission's requirements in respect of independence and objectivity, and these are set out at Appendix 2.
- 4 This report has been prepared for presentation to the Audit and Governance Committee on 13 September. Members are invited to:
  - consider the matters raised in the report before the financial statements are approved;
  - approve the representation letter on behalf of the Council and those charged with governance before we issue our opinion; and
  - consider amending the financial statements for unadjusted misstatements, significant qualitative aspects of financial reporting and any recommendations for improvement in the action plan.
- 5 Our work during the year was performed in line with the plan that we presented to the Finance and Performance Management Cabinet Committee on 3 April 2006. We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 3.

## Key messages

- 6 Our work on the financial statements is substantially complete although there are still outstanding issues to be resolved. In particular, our work on pension costs and related disclosure notes has yet to be concluded, as well as our work on the Whole of Government Accounts return. Should any further matters arise in concluding the outstanding work that need to be reported, we will raise them with the Chair of this Committee. We propose issuing an unqualified audit opinion prior to the statutory deadline of 30 September 2007 (a draft report is attached at Appendix 4).
- 7 In our view, the Statement on Internal Control (SIC) has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit.
- 8 Our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We propose issuing an unqualified conclusion on the use of resources prior to the statutory deadline of 30 September 2007 (a draft report is attached at Appendix 4), subject to the completion of our work on data quality.

## Audit status

- 9 At the date of issue of this report our detailed audit is substantially complete although we are still working on pension costs and related disclosures notes as well as our work on the Whole of Government Accounts return. In addition our work on data quality is still ongoing.
- 10 The Council has taken a positive and constructive approach to our audit and we would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

## Management Representations

- 11 Auditors are required to obtain written confirmation of certain representations from management and those charged with governance before an audit report is issued, such as acknowledgement of responsibility for the fair presentation of the financial statements in accordance with the applicable financial reporting framework and responsibility for the design and implementation of internal control to prevent and detect error.
- 12 The auditor should also obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist.
- 13 The final draft of the letter of representation has been attached at Appendix 5.

## Unadjusted misstatements

- 14 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. One potential misstatement is attached at Appendix 6 for the information of members.
- 15 We invite you to consider whether the financial statements should be amended for the unadjusted misstatement identified at Appendix 6. Should you choose not to amend the financial statements, in accordance with ISA (UK&I) 260 we request that you extend the representation letter to explain why. We ask that the letter specifically details the misstatements and/or qualitative aspects of reporting to which it relates.

## Adjustments to the financial statements

- 16 We are also required to bring to your attention misstatements that have already been corrected by management where we consider them relevant to your wider governance responsibilities. There have been no such corrections.

## Accounting practices

- 17 We are also required to report to you our view on the qualitative aspects of the Council's accounting practices and financial reporting and have set out below our observations on key issues affecting the Council.

- 18 The Council sold Wickfields, a multi-occupancy HRA property, to a Housing Association in 2006/07. The Council has accounted for this sale at nil consideration and disclosed a £1.2m loss on sale calculated with reference to the valuation in the asset register of £1.2m. The legal paperwork supporting the sale suggests a consideration of £1.493m was payable. This was invoiced to the Housing Association but never received as it was netted off against an equal charge from the Housing Association to reflect the cost of the work required to bring the accommodation up to the Decent Homes Standard. We understand from the Council that there was never any intention for this amount to be paid by either party but the consideration figure was an estimate of the savings to the Council over a period of time as a result of the transfer. We have accepted that the accounts reflect the substance of the transaction and have made reference to this in the draft letter of representation at Appendix 5.
- 19 However, the Council has claimed back the VAT chargeable on the £1.493m invoice raised by the Housing Association (£191,726) and then passed this over to the Housing Association. The cost of the building work carried out to bring the property up to the Decent Homes Standard was subsequently deemed to be £789,000.
- 20 The Council has sought expert VAT advice on a similar transaction in the past, and adopted the same treatment in respect of Wickfields. However, based on current HMRC guidance which has been shared with the Council, there is a risk that the Council has either claimed back too much VAT or should not have claimed it back at all because of the way this transaction has been processed.

## Systems of internal control

- 21 As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified. Internal audit had identified weaknesses in payroll controls during the year and as a result we were required to do additional testing, although we were able to place significant reliance on the work already performed by Internal Audit. The weaknesses highlighted and already reported were:
- identified differences between the Human Resources and Payroll establishment lists;
  - failure to remove a leaver from the payroll system; and
  - weaknesses in the reconciliation of the payroll control account to the ledger.
- 22 We do not aim to provide a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made, but have addressed only those matters which have come to our attention as a result of the audit procedures we have performed.
- 23 We have also reviewed whether the SIC has been prepared in accordance with proper practice specified by CIPFA and is consistent with the findings from our audit. There are no matters arising.

## Use of resources

### Work performed

- 24 The Code requires us to reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources – the value for money conclusion. In meeting this responsibility, we review evidence that is relevant to the Council's corporate performance management and financial management arrangements across a range of criteria specified by the Audit Commission. Our work to support our conclusion comprised the following elements:
- use of resources assessment;
  - data quality work; and
  - the 2006/07 Best Value Performance Plan.
- 25 Details of our conclusion for each of the criteria specified by the Audit Commission are set out in Appendix 7.

### Use of resources assessment

- 26 We are currently finalising our report arising from the use of resources assessment. When finalised, we will report and discuss our findings with officers.

### Data quality work

- 27 We are currently finalising our data quality review and will report and discuss our findings with officers. In addition we will present a report to Those Charged with Governance.

### Best value performance plan

- 28 Our work in respect of the Council's 2006/07 Best Value Performance Plan (BVPP) was reported in the 2006 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

## Audit fee update

- 29 We reported our fee proposals as part of the Audit Plan for 2006/07. The table below reports the outturn fee against that plan:

	<b>Plan 2006/07</b>	<b>Revised estimate 2006/07</b>
Financial statements and Statement on Internal Control	£90,890	£90,890
Use of Resources	£27,340	£27,340
Total Audit Fees	£118,230	£118,230
Grants certification work (work ongoing)	£50,000 (estimate)	to be advised

- 30 The analysis above shows that we estimate our audit fee will be contained within the totals you have already agreed.
- 31 The final outturn on audit and inspection fees will be reported in the annual audit and inspection letter.

## Appendix 1 – Action plan

Page	Recommendation	Priority 1 = Low 2 = Medium 3 = High	Responsibility	Agreed	Comments	Anticipated Implementation Date
8	The Council should review its treatment of VAT on the transactions involving the sale and refurbishment of Wickfields in 2006/07 and seek professional advice to confirm that the correct treatment has been applied.	2	Head of Finance	Yes	The treatment was in line with professional advice previously received. The cost of additional advice will be investigated.	31/10/07



## **Appendix 2 – The Audit Commission's requirements in respect of independence and objectivity**

- 1 We are required to communicate the following matters to those charged with governance:
  - the principal threats, if any, to objectivity and independence identified by the auditor, including consideration of all relationships between the Council, directors and the auditor;
  - any safeguards adopted and the reasons why they are considered to be effective;
  - any independent partner review;
  - the overall assessment of threats and safeguards; and
  - information about the general policies and processes for maintaining objectivity and independence.
- 2 We are not aware of any relationships that may affect the independence and objectivity of the audit team and which are required to be disclosed under auditing and ethical standards.

## Appendix 3 – Audit reports issued

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit plan	March 2006	March 2006	The Council
BVPP report	by December 2006	November 2006	The Council
Interim audit memorandum	April 2007	To be incorporated into Final accounts memorandum (no significant issues to report)	
Use of Resources Report	March 2007	March 2007	Those Charged with Governance
Annual governance report	September 2007	September 2007	Those Charged with Governance
Opinion on financial statements	September 2007	To be confirmed	The Council
VFM conclusion	September	To be confirmed	The Council
Final accounts memorandum	October 2007	To be confirmed	Those Charged with Governance
Data quality report	October 2007	To be confirmed	Those Charged with Governance
Annual audit letter	March 2008	To be confirmed	The Council

## **Appendix 4 – Proposed auditor’s report**

### **Independent auditor’s report to the Members of Epping Forest District Council**

#### **Opinion on the financial statements**

I have audited the financial statements of Epping Forest District Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the 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 Collection Fund, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

#### **Respective responsibilities of the Chief Finance Officer and auditor**

The Chief Finance Officer’s responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007.

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

I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

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

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

## Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Epping Forest District Council as at 31 March 2007 and its income and expenditure for the year then ended.

Paul King  
District Auditor  
Audit Commission  
Sheffield House  
Lytton Way  
Stevenage  
SG1 3HG

[ ] September 2007

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

### **Authority’s Responsibilities**

The authority 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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## Conclusion

I have undertaken my 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 December 2006, I am 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 ending 31 March 2007.

## Best Value Performance Plan

I issued my statutory report on the audit of the authority’s best value performance plan for the financial year 2006/07 on 22 November 2006. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

## Certificate

I certify that I 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.

Paul King

Audit Commission

Sheffield House

Lytton Way

Stevenage

SG1 3HG

[ ] September 2007

## Appendix 5 – Draft Management representation letter

To: Paul King  
District Auditor  
The Audit Commission  
Sheffield House  
Lytton Way  
Stevenage  
SG1 3HG

### **Epping Forest District Council - Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Epping Forest District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

I confirm that I believe that the effects of the uncorrected financial statements misstatement detailed in the attached schedule is not material to the financial statements. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows:

- the amounts involved are not material; and
- the Council considers the VAT on the Wickfields transaction was properly reclaimable.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Specific representations:**

The accounts reflect the transfer of Wickfields to a Housing Association for nil consideration which was always the intention of the Council and is therefore the substance of the transaction, despite the legal paperwork stating the consideration payable was £1.493 million.

### **Supporting records**

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 member meetings, have been made available to you.

### **Related party transactions**

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded, and where appropriate, adequately disclosed in the financial statements.

### **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### **Law, regulations and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

### **Post balance sheet events**



Since the date of approval of the financial statements by Members of the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Epping Forest District Council

Signed

Bob Palmer

Head of Finance

[ ] September 2007

## Appendix 6 – Summary of unadjusted misstatements

- 1 We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. The items below are brought to your attention to enable you to consider whether the financial statements should be amended for them. If you choose not to amend the financial statements in respect of these items, you should extend the representation letter to explain why.

	Nature of Adjustment	Income and Expenditure Account		Balance Sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Unadjusted misstatements					
The VAT reclaimed with regards to the sale of Wickfields may not be in accordance with the relevant regulations.	Provision for the VAT reclaimed	192			192
<b>Net Effect</b>		<b>192</b>			<b>192</b>

## Appendix 7 – Value for money conclusion

- 2 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.
- 3 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Council has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Associated UoR KLoE	UoR Score	VFM Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	N/A	N/A	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	N/A	N/A	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	N/A	N/A	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	LG DQ KLoEs	N/A	To be confirmed
5	The body has put in place arrangements to maintain a sound system of internal control.	4.2	to be advised	Adequate

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6	The body has put in place arrangements to manage its significant business risks.	4.1	to be advised	Adequate
7	The body has put in place arrangements to manage and improve value for money.	5.2	to be advised	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	2.1	to be advised	Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	3.1	to be advised	Adequate
10	The body has put in place arrangements for managing performance against budgets.	2.2	to be advised	Adequate
11	The body has put in place arrangements for the management of its asset base.	2.3	to be advised	Adequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	4.3	to be advised	Adequate

Paul King  
District Auditor  
The Audit Commission  
Sheffield House  
Lytton Way  
Stevenage SG1 3HG

Dear Paul,

## **Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers 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 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements, which present fairly and for making accurate representations to you.

I confirm that I believe that the effects of the uncorrected financial statements misstatement detailed in the Annual Governance Report is not material to the financial statements. The misstatement has been discussed with those charged with governance within the Council and the reasons for not correcting the item are as follows:

- the amount involved is not material; and
- the Council considers the VAT on the Wickfields transaction was properly reclaimable.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

## **Specific representations**

The accounts reflect the transfer of Wickfields to a Housing Association for nil consideration, which was always the intention of the Council and is therefore the substance of the transaction, despite the legal paperwork stating the consideration payable was £1.493 million.

## **Supporting records**

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 Member meetings, have been made available to you.

**Related party transactions**

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

**Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

**Law, regulations and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

**Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

**Post balance sheet events**

Since the date of approval of the financial statements by Members of the Council, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Epping Forest District Council

Robert Palmer  
Head of Finance

Date XX September 2007